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Foreign Trade Annual Report - 2002

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Preface

The Albanian Center for International Trade (ACIT) was established in 2002 with the main objective to improve the quality of trade policies as important instruments for growth and development, as well as for increasing the economic benefit from trade opportunities created by globalization trends and integration processes.

To fulfill its mission, ACIT's activities encompass four important components:

(1) a research center to improve trade policies and their implementation; (ii) a forum of dialogue between different actors and stakeholders to promote the process of trade policy formulation and encourage an informed public debate (iii) a resource center providing easy access to high quality foreign trade information and the latest literature on international trade and international economics, and (iv) a capacity-building center to increase professional capacities in international trade.

The Foreign Trade Report of 2002 is prepared by ACIT staff with the intention:

- To offer to the public a product that will encourage an informed public debate on the country's foreign trade;
- To serve as an information source to those interested in foreign trade issues;
- To offer some opinions about the main developments and trends in Albania's foreign trade dynamics.

Being the first specialized publication on the foreign trade issues, any comments, suggestions and remarks for its improvement would be highly appreciated.

Our thanks go to the institutions with which we have cooperated for the preparation of this report, Ministry of Economy, INSTAT, Ministry of Agriculture and Food and especially to the General Directorate of Customs, which has been the primary source of information. ACIT takes the responsibility for any inaccuracy or mistake that could be found in this report.

I. Global Trade Developments

After a significant increase of the worldwide trade volumes since the beginning of the '80s, during 2001¹ a decrease of 4.5 per cent on the worldwide exports of goods was registered. The decrease affected the three main categories of goods. Exports of manufactured goods decreased by 2.5 per cent, while agriculture products and minerals by approximately 1.5 per cent.

Table 1.1

Export growth rate of goods and services, 1990-2001

(annual percentage change)

	Billion of dollars, 2001	1990-2000	1999	2000	2001
World exports of goods	5984	6.5	5.0	12.5	-4.5
World exports of services	1458	6.5	2.5	6.0	-0.5

Source: WTO web page

In addition to a weak global demand caused by the sluggish economic growth of developed countries and a drop of prices of goods in the international markets, the decline of worldwide exports is also a result of the developments within specific economic sectors.

Information technology industry registered the most significant decline by an average of about 14 per cent, after a great increase during the whole decade of '80s, by an annual average of 12 per cent.

Table 1.2: World merchandise exports by product, 2001

(Percentage change)	
Office & telecom. equip.	-13.8
Non-ferrous metals	-9.1
Fuels	-8.4
Iron and steel	-8.1
Textiles	-5.0
Other semi manufactures	-3.4
Other consumer goods	-2.7
Other machinery & equip.	-2.2
Automotive products	-2.1
Agricultural products	-0.9
Clothing	-0.9
Ores & minerals	-0.6
Chemicals	1.8
Average	-4.3

Source: WTO web page

¹ At the time of writing of this report, data on global foreign trade are not yet available.

Non ferrous metals, iron and steel, sensitive products to cyclic economic fluctuations, also registered a decrease of about 8-9 per cent.

The decline on fuel prices (of about 9 per cent) was the main factor for fuel exports reduction by more than 8 per cent, while exports in terms of volume remain unchanged. Textiles also registered an export decrease, confirming a declining tendency observed since the beginning of the '90s. The share of textile exports is reduced from 3.1 per cent to 2.5 per cent of export volumes (annex 1.1 offers information about the most dynamic global export categories).

During 2001, the most powerful economic and trading blocks registered a trading volume decrease. Traded volumes decreased, both in exports and imports most significantly in Asia, due to prolonged sluggish of economic growth of the Japanese economy, as well as of the global demand decrease of the IT products, where the exports from Japan and six East Asian countries are dominant. Traded volume in North America marked a decrease of 6 per cent, while in Western Europe (which represents 40 per cent of the worldwide trade) the decrease was about 3 per cent (annex 1.2 offers information about trade blocks).

Prices of goods marked sensitive fluctuations during the whole period.

Table 1.3 Trends in monthly market prices for selected commodities						
Product	Price trends					
	In current dollars			In constant dollars		
	1998-2001	1988-1991	1977-2001	1998-2001	1988-1991	1977-2001
	Annual average rate of change, per cent					
All food	-7.4	-4.7	-0.9	-4.7	-8.2	-3.3
Food and tropical beverages	-5.9	-4.5	-0.9	-3.2	-8	-3.3
Food	-2.8	-2.8	-0.1	-0.1	-6.3	-2.6
Wheat	0.3	-5.5	-0.2	2.9	-9.1	-2.6
Maize	-1.3	0	-0.2	1.3	-3.5	-2.6
Rice	-18.8	0	-1.2	-16.2	-3.5	-3.7
Sugar	1.3	-3.3	-0.1	3.9	-6.8	-2.5
Beef	6.7	1.8	-0.8	9.4	-1.7	-3.2
Pepper	-36.9	-38.3	2.9	-34.3	-41.7	0.4
Vegetable oilseeds and oils	-20.1	-6.4	-1	-17.5	-9.9	-3.5
Sunflower oil	-14.1	0.8	-0.8	-11.4	-2.7	-3.3
Groundnut oil	-9.7	14.2	-0.1	-7	10.6	-2.5
Copra	-24.7	-13.3	-1.3	-22.1	-16.8	-3.7
Agricultural raw materials	-3.3	1.3	0.4	-0.7	-2.2	-2
Wool	-10.4	-22.8	-0.7	-7.5	-26.2	-3.2
Jute	7.4	4.1	-0.7	10.1	0.6	-3.1
Sisal	-5	2.6	1.6	-2.3	-1	-0.9

Non-coniferous woods	-0.2	8.3	3.8	2.5	4.7	1.4
Tropical logs	0.9	6.5	1.8	3.6	3	-0.6
Tropical sawnwood	4	15.5	4.5	6.7	11.9	2.1
Plywood	2.6	1.6	4.2	5.3	-2	1.8
Linseed oil	-20	-3.6	-0.4	-17.3	-7.2	-2.8
Tobacco	-3.8	11.1	1.5	-1.1	7.5	-1
Hides and skins	24.1	-18.9	-2.2	27.1	-22.4	-4.8
Rubber	-5.8	-11.1	-1.2	-3.2	-14.6	-3.6
Minerals, ores and metals	0.8	-6.2	0.5	3.4	-9.7	-1.9
Phosphate rock	-0.2	4.7	0.4	2.5	1.1	-2
Manganese ore	-1.1	29.8	2.2	1.6	26.2	-0.2
Iron ore	-0.5	11.2	0.6	2.2	7.6	-1.8
Tungsten	11.8	-1.6	-5.2	14.5	-5.1	-7.7
Aluminium	2.7	-21.3	0.9	5.3	-24.8	-1.6
Copper	-0.1	-3.2	1.2	2.5	-6.7	-1.3
Nickel	10	-18.3	1	12.7	-21.8	-1.4
Lead	-4	-3.1	-1.1	-1.4	-6.7	-3.6
Tin	-6.3	-10.6	-5.1	-3.6	-14.1	-7.5
Gold	-2.3	-5.6	0.1	0.3	-9.1	-2.3
Silver	-7.6	-15	-3	-5	-18.5	-5.4
Crude petroleum	22.8	10.1	-0.9	25.5	6.5	-3.4
<i>Source: UNCTAD Commodity Price Bulletin</i>						

The perspective for 2002 seems to be a little more positive. During the first half of the year, a rapid growth was registered in the American economy, while the growth of the European and Japanese economies still remains a little behind. Nevertheless, the worldwide volume of trade in goods of this period still remained 4 per cent below the registered level during the first half of the previous year. Assuming that the growth on the economies of the OECD countries will be as forecasted, the growth of the worldwide trade is estimated to be around 1 per cent during 2002.

Annex 1.1 20 dynamic export products, 1980-2000 (in %)

		Annual average export growth	Share in total exports		Share in total exports from developing countries	
SITC code	Product Group	1980-2000	1980	2000	1980	2000
		17.4	1	4.1	1.9	7.8
776	Tranzistor and semiconductors					
871	Optical Instruments	16.1	0.1	0.3	0	0.3
752	Computers	15.3	0.9	3.4	0.2	5.1
759	Computer parts and office supplies	15.2	0.7	2.4	0.3	3.9
846	Knitted clothes	13.4	0.3	0.6	0.8	1.5
771	Electrcial energy equipment	13.4	0.3	0.6	0.2	0.9
553	Parfumes and cocmetics	13.4	0.2	0.5	0.1	0.2
893	Plastic artikles	13.1	0.6	1.2	0.6	1.1
764	Parts and telecom.equipments.	12.8	1.5	3	1.7	2.9
773	Energy distribution equipment	12.3	0.4	0.7	0.3	1
872	Medical instruments and machineries	12.3	0.2	0.4	0.1	0.2
898	Musical instruments	12.3	0.3	0.7	0.2	0.5
111	Non-alcooholic drinks	12.2	0.1	0.1	0.1	0.1
541	Medical and pharmaceutical produkts	12.2	1.1	2	0.4	0.6
612	Processed leather	11.9	0.1	0.1	0.1	0.2
655	Knitted fabric	11.8	0.2	0.3	0.1	0.6
778	Electrical machinery and equipment	11.7	1.1	1.7	0.7	1.6
48	Preparations from cereals	11.7	0.2	0.4	0.1	0.2
844	Non knitted clothes	11.6	0.2	0.3	0.8	0.8
772	Electrical parts.	11.5	1	1.6	0.6	1.6
	20 dynamic products	13.7	10.3	24.2	9.3	31.2

Source: UNCTAD secretariat calculations, based on UN Commodity Trade Statistics database.

Annex 1.2: Major Trading Blocks

- **European Union**

The European Union is the most powerful economic and trading block, with a Gross Domestic Product (GDP) that exceeds that of the USA at the present. The euro mint as a common coin of 12 member countries has further consolidated the trading relations. The member countries of the EU are: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxemburg, The Netherlands, Portugal, Spain, Sweden and United Kingdom.

Trade volume

Exports **\$813bn**

Imports **\$801bn**

- **North American Free Trade Agreement (NAFTA)**

United States, Canada and Mexico have created a Free Trade Area, and wish to include the Latin America with the view of establishing the Free Trade Area of Americas. Currently, the United States are negotiating with Chile to join NAFTA, but other southern American countries have controverted on this matter. In addition to trade and investments, NAFTA agreements include labor market and environmental aspects as well.

Trade volume

Exports **\$1,017bn**

Imports **\$1,277bn**

- **Asia- Pacific Economic Co-operation Forum**

Asia-Pacific Economic Co-operation Forum includes Pacific Ocean countries, which are committed to facilitate trading between them. Its twenty-one member countries include about 45 per cent of global trade volume. The Asiatic crises hitting the economies of countries experiencing a rapid growth, such as South Korea and Indonesia, resulted to be a significant obstacle in creating the Free Trade Area.

Member countries of APEC are: Australia, Brunei, Canada, Chile, China, Hong Kong, Indonesia, Japan, South Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, Philippines, Russia, Singapore, Chinese Taipei, Thailand, United States and Vietnam.

Trade volume

Exports **\$2,592bn**

Imports **\$2,581bn**

- **Cairns Group**

Cairns Group of exporting countries of agricultural products was established in 1986 to enhance trade facilitation of these products in Uruguay's round of global trade negotiation. This group was named after the Australian city where the first meeting of the member countries took place. Efficient-producing countries of manufactured agricultural products, both developed and developing countries, want to ensure that their products are not excluded from Asian and European markets. Canada, Brazil and Argentina are some of the leader members of the group.

Cairns member countries are: Argentina, Australia, Brazil, Canada, Chile, Colombia, Fiji, Indonesia, Malaysia, New Zealand, Paraguay, Philippines, South Africa, Thailand and Uruguay.

Trade volume
Exports \$577bn
Imports \$549bn

II. Albanian Foreign Trade Developments during 2002

II.1 Macroeconomic framework

The macroeconomic framework of 2002, includes foreign trade developments that have occurred in this period of time. Developments in the real domestic economic sector along with the oscillations registered in the exchange market and prices of goods in the global markets have influenced the foreign sector dynamics. Economic growth during 2002 was expected to be about 6.5 per cent, but in fact it came up to 4.7 per cent.

The main factors that explain slow rhythms of economic growth are related to:

- (i) Prolonged energetic crisis;
- (ii) Aggravated agricultural situation as a result of precipitations during September;
- (iii) Banking system developments related to a temporary loss of public confidence and massive withdrawal of deposits from the two largest banks of the system;
- (iv) Frequent changes in government during 2002, influencing political stability and climate of confidence for investors.
- (v) Lack in the completion of budget expenses for 2002.

Table 2.1: Gross Domestic Product by sectors

Years	1999	1999	2000	2000	2001	2001	2002	2002
Indicators	GDP in %	Real annual growth	GDP in %	Real annual growth	GDP in %	Real annual growth	GDP in %	Real annual growth
Gross Domestic Product	100	7.3	100	7.8	100	6.5	100	4.7
Industry	13.5	6.4	13.2	5.0	13.2	6.5	12.8	2.0
Agriculture	37.2	3.7	35.9	4.0	34.2	1.4	33.3	2.1
Construction	8.9	15.0	9.7	17.0	10.3	14.0	10.8	9.1
Transport	9.0	15.0	9.5	14.0	10.1	13.0	10.6	10.1
Services	31.4	12.0	31.8	9.0	34.2	8.0	32.5	5.5

Source: Ministry of Finance

From the structural viewpoint, during 2002 the agricultural share in GDP continued to decrease, in favor of the share of services and construction sectors.

Table 2.1 shows deceleration of growth in all the sectors, where the most significant are the reductions in agricultural and industrial sectors. Even though smaller as compared to 2001, the service, transport and construction sectors marked the highest growth rate. All the three sectors contributed 53.9 per cent of the Gross Domestic Product (GDP).

Inflation and exchange rate

Average annual inflation rate during 2002 came up to 5.4 per cent, while fluctuations in the foreign currency market are estimated as relatively stable.

During 2002, national currency appreciated towards the US dollar by 2.3 per cent while depreciated by about 3 per cent towards the euro. With the introduction of euro as a physical currency, the developments in the domestic currency markets have witnessed an increasing role of this currency as a reference currency by trade operators. On the other hand, there are evidences that the euro exchange rate plays a significant role on the inflation performance as well as in the behaviour of certain items of the balance of payments.

Fiscal developments. Budgetary income at the end of 2002 reached 22.9 per cent of GDP; the expenditure count for 29.1 per cent of GDP and consequently the budget deficit was reduced to 6.2 per cent of GDP.

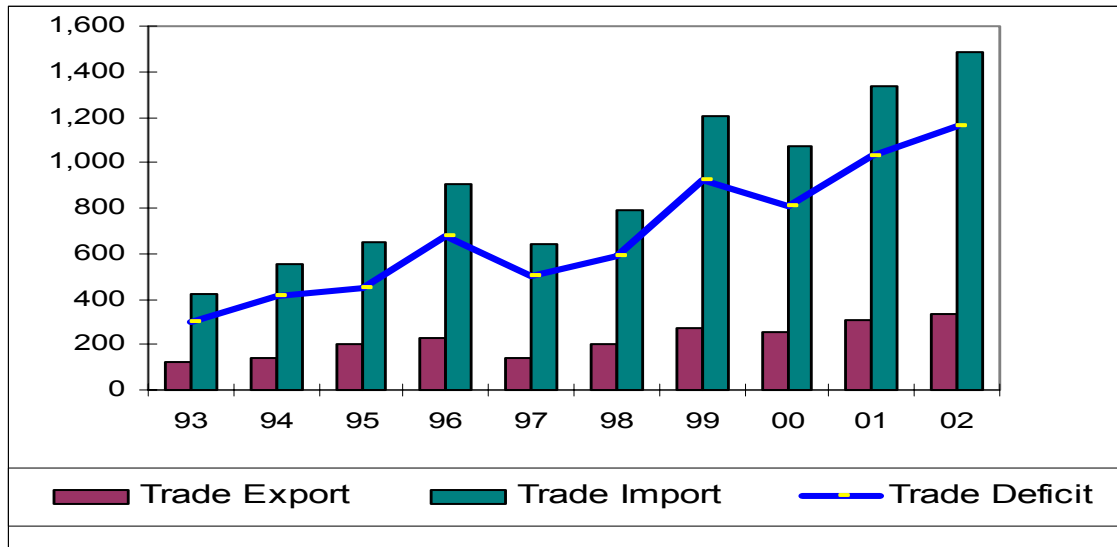
Balance of Payment. According to the reports of the Bank of Albania, current transactions during 2002 are valued as \$3.9 billion having an increase of 10 per cent as compared to the last year. Dominated by transactions of goods and services, the current account was closed with a deficit of \$447.6 million or 9.5 per cent of GDP. This level of current account deficit marks the highest level registered during this last decade. It is financed by foreign direct investment and foreign borrowings at about 75 per cent.

II.2 General Trends in Foreign Trade

With the beginning of market economy and openness of trade for goods and services, the Albanian imports flux was highly increased in response to a significant increase of domestic demand and the domestic production incapacity to satisfy this out-bursting

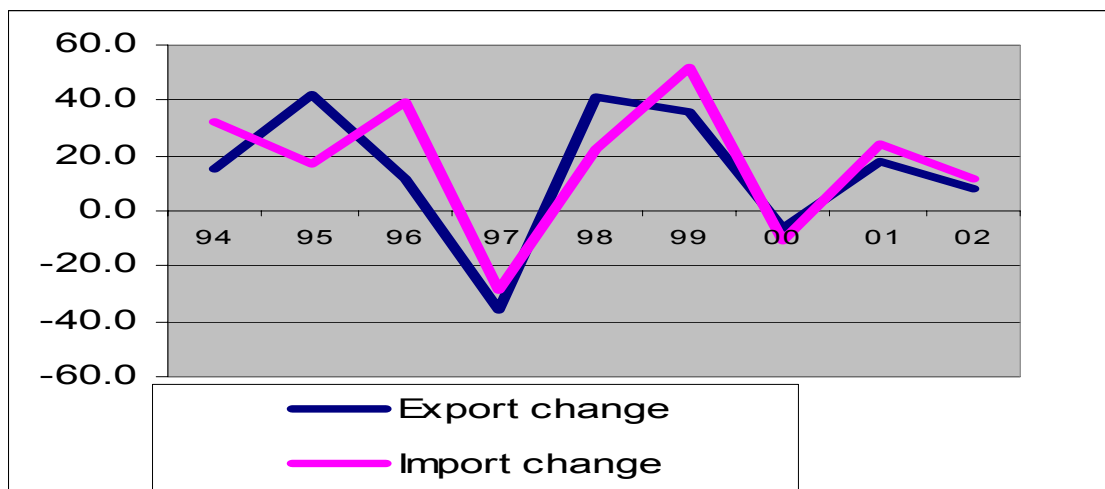
demand. In spite of exports growth showing a higher annual average growth than imports during this period, an increasing trade deficit² has been noticed over the past years.

Figure 2.1: Trade balance over the past years, in millions of US dollars



Source: General Directorate of Customs, ACIT

Figure 2.2: Dynamics of imports and exports, in percentage



Source: General Directorate of Customs, ACIT

² As used in this report, the terms trade deficit, trade import and trade export, as well as any respective statistics refer to traded goods only (excluding other forms of good inflows such as foreign assistance). Trade in services is implied only when it is stated explicitly. The statistical analysis of foreign trade is referred to value changes in dollar terms. All data are in dollar terms using monthly exchange rates.

Table 2.2: Foreign Trade over the past years

In millions of USD

Years	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Trade indicators										
Trade Export	123.1	141.8	201.4	224.4	143.6	202.7	275.7	258.0	304.9	330.2
Trade Import	418.4	554.8	648.4	904.6	645.5	792.0	1,203.0	1,070.5	1,333.0	1,490.0
Trade Deficit	-295.3	-413.0	-446.9	-680.2	-501.9	-589.3	-927.3	-812.5	-1,028.1	-1,159.8
Trade Volume	541.4	696.5	849.8	1,129	789.1	994.7	1,478.6	1,328.6	1,637.9	1,820.3
Other Indicators										
<i>Openess of economy (in %)</i>	42.3	35.8	34.8	41.0	34.4	30.3	39.5	36.0	40.9	41.9
<i>Trade deficit as percentage to GDP</i>	-23.1	-21.3	-18.3	-24.7	-21.9	-17.9	-24.8	-22.0	-25.7	-26.7
<i>Percentage of Import Coverage</i>	29.4	25.6	31.1	24.8	22.2	25.6	22.9	24.1	22.9	22.2

Source: General Directorate of Customs, ACIT

Some of the most important structural developments on import and export dynamics to be noted about the period 1996-2002 (see tables 2.3 and 2.4) are as follows:

- A decrease in share of agrifood products (group 1-4) from 35 per cent of the total imports in 1996 to 20 per cent in 2002; the highest drop is noticed on imports of unprocessed products, while the share of imports of processed food products has been decreasing at a slower pace. This tendency reflects positive developments of domestic agricultural products in supplying domestic market, while it emphasizes potential investment opportunities in the agro-processing sector.
- The specific share of mineral products' imports has more than doubled; from 5.2 per cent of total imports in 1996, during 1999-2002; the specific share of mineral products' imports come up to 13 per cent; within these group-products, imports of energetic product are dominant (fuel and electricity). These developments reflect mainly the domestic energetic crisis and also oil prices developments in international markets.
- Machinery, equipment and vehicle imports share have kept a constant share, averaging at 20 per cent of total imports; the absolute imports volume growth shows an increase of economic investments activity. Adding up the share of raw material imports of textile industry (averaging at 11 per cent of total imports) and of leather processing (3.6 per cent), one may draw the conclusion that import demand mostly reflects the developments in the processing sectors of economy and the behavior of the export sectors.
- The systematic decline of domestic exports, especially in mineral products, is counter-balanced by a more rapid growth of exports with active processing; the specific share of clothing and shoes industry is increased from about 48 per cent in year 1996, into 66.6 per cent in year 2002. High concentration of exports in specific products and markets continues to be present during all the '90s.
- Trade of services is playing an important role in the balance of payments; it began to increase significantly especially after year 2000. Export of services is increased from \$83 millions in 1994 into \$585 millions in 2002, a value which is 75 per cent higher than the value of exported goods. Services' export net value in this period has been mainly negative (with the exception of the period 1999-2001), but in low levels. During 2002 it reached a deficit of around \$5 million.

Table 2.3: Import structure, 1996-2002, in percentage

No.	Imports' structure	1996	1997	1998	1999	2000	2001	2002
1	Living animals; animal origin products	5.0	4.3	5.2	4.4	2.8	2.2	3.0
2	Vegetable products	17.5	13.2	10.1	9.1	8.4	7.6	6.8
3	Animal grease and oils or vegetal	2.9	3.2	3.3	1.9	2.0	1.5	1.4
4	Prepared foods, drinks, tobacco	9.5	7.3	8.9	11.5	9.0	8.1	8.8
5	Mineral products	5.2	7.6	8.5	8.6	13.1	13.9	12.9
6	Chemical industry products or allied	4.8	5.9	7.5	5.4	5.6	5.4	5.8
7	Plastics; tire and its products	2.3	3.1	3.0	2.8	3.0	2.8	3.0
8	Leather and its products	2.1	2.2	2.3	2.2	1.8	2.1	2.5
9	Wood, cork and their products, straw products, reed-canes	0.8	1.2	1.2	1.7	1.0	0.9	1.1
10	Wood dough, papers, cart-paper and their products	1.4	1.3	1.6	1.5	1.6	1.5	2.0
11	Textiles and textile articles	9.0	10.4	12.9	12.5	11.9	10.3	10.9
12	Clothes and umbrellas	6.3	5.7	4.9	3.7	2.6	3.6	3.7
13	Stone, gypsum, cement, ceramic, glass articles	2.4	3.5	3.5	3.2	3.9	3.7	3.9
14	Pearls, jewellery, coins	0.1	0.0	0.0	0.1	0.2	0.0	0.0
15	Main metals and their products	4.8	6.6	6.7	8.0	7.8	8.9	9.0
16	Electric, mechanic machinery and equipment	16.2	15.8	9.8	11.6	13.8	18.4	16.2
17	Vehicles	6.1	4.9	6.7	7.5	7.4	5.3	5.4
18	Optic implements and instruments; watches; music instruments	1.3	1.2	1.1	1.4	1.7	1.5	1.0
19	Arms and munitions and their components	0.1	0.1	0.1	0.2	0.0	0.0	0.0
20	Manufactured articles	2.1	2.3	2.6	2.5	2.4	2.3	2.5
21	Work of art, ancient pieces	0.0	0.0	0.2	0.0	0.0	0.0	0.0
	TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: General Directorate of Customs, ACIT

Table 2.4: Export structure, 1996-2002, in percentage

No.	Exports' structure	1996	1997	1998	1999	2000	2001	2002
1	Living animals; animal origin products	3.1	2.8	2.0	1.2	0.7	0.7	0.6
2	Vegetable products	7.1	10.7	7.8	4.6	4.7	3.8	4.0
3	Animal grease and oils or vegetal	2.2	0.0	0.2	0.1	0.0	0.0	0.0
4	Prepared foods, drinks, tobacco	4.1	6.2	6.1	4.6	5.4	4.6	2.2
5	Mineral products	10.3	5.8	11.4	6.4	2.9	1.9	2.8
6	Chemical industry products or alloys	1.2	0.8	0.4	0.3	0.6	1.0	0.5
7	Plastics; tire and its products	0.5	0.3	0.5	0.5	0.3	0.3	0.2
8	Leather and its products	4.5	5.6	3.2	2.6	3.2	3.6	4.5
9	Wood, cork and their products, straw products, reed-canes	2.8	3.7	2.7	2.3	2.9	2.9	2.6
10	Wood dough, papers, cart-paper and their products	1.4	2.5	1.4	1.7	1.0	0.6	0.9
11	Textiles and textile articles	24.4	24.8	33.5	35.8	42.5	37.4	37.7
12	Clothes and umbrellas	23.4	18.8	19.6	24.7	27.0	28.6	28.9
13	Stone, gypsum, cement, ceramic, glass articles	0.2	0.3	0.8	0.2	0.3	0.6	0.6
14	Pearls, jewellery, coins	0.0	0.0	0.1	0.3	0.2	1.5	0.1
15	Main metals and their products	11.3	9.8	4.5	5.3	8.4	8.0	9.3
16	Electric, mechanic machinery and equipment	1.7	5.1	2.1	4.5	1.7	2.3	2.5
17	Vehicles	0.1	0.4	0.6	1.8	0.1	0.3	0.3
18	Optic implements and instruments; watches; music instruments	0.1	0.1	0.4	0.1	0.2	0.1	0.1
19	Arms and munitions and their components	0.3	0.0	0.0	0.0	0.7	0.1	0.2
20	Manufactured articles	1.4	2.3	2.9	2.9	2.8	1.7	2.1
21	Work of art, ancient pieces	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: General Directorate of Customs, ACIT

Although a detailed discussion of the structural problems of the foreign trade deficit goes beyond the scope of this report, the high and deepening trade deficit remains a serious concern in ensuring an equilibrium of the economic development. While increasing import volumes conveys some positive trends reflected on the reallocation of the resources, exports remains at very low levels. The concern arises because of the volatility of the financing sources of the imports, referring in particular to declining trends of foreign finance and expected decreasing inflows of remittances. Given these circumstances, a high priority should be attached to export promotion policies, along with potential import substitution policies.

II.3. Foreign trade during 2002

As shown in table 2.5, imports during 2002 registered the value of \$1,490 millions with an increase of 11.7 per cent towards 2001; exports registered to \$330.2 millions, with an

increase of 8.3 per cent towards 2001. Trade deficit reached up to \$1,159 millions and it has been increased by 1 point per cent as related to GDP (from 25.7 per cent of GDP in 2001 into 26.7 per cent of GDP in 2002). The level of openness of the economy (measured by trade in goods) reached 41.9 per cent, increasing by 1 percentage points towards 2001, which continues to be one of the lowest as compared to other countries of the region. Exports cover 22.2% of imports and has mainly been dominated by re-exports. This type of export constitutes 74.2 per cent of total annual exports (see table 2.8). Due to a high consumers demand for imported goods at the end of the year, import volumes have reached their maximum value in December; while the export volumes have reached their maximum value in November. The minimal values of exports and imports are registered respectively in January and May.

Table 2.5: Trade Import and Trade Export during 2002

In millions of USD

Month	Trade Export 2002		Trade import 2002		Trade Deficit
	In absolute value	As percentage change towards the same month of 2001	In absolute value	As percentage change towards the same month of 2001	
January	23.7	5.4	100.2	13.0	-76
February	24.7	-10.2	100.8	9.4	-76
March	27.6	-3.3	113.5	4.9	-86
April	25.3	-20.6	114.8	5.0	-90
May	18.8	-32.6	118.1	10.0	-99
June	28.0	-0.5	127.4	13.2	-99
July	35.1	94.4	138.2	27.0	-103
August	22.0	47.8	117.6	28.1	-96
September	29.0	13.2	129.3	9.2	-100
October T	29.8	12.8	144.0	11.5	-114
November	38.0	19.3	133.4	-3.8	-95
December	28.3	30.7	152.2	19.0	-124
Total	330.2	8.3	1,489.5	11.7	-1,159

Source: General Directorate of Customs, ACIT

II.4 Commodity Structure in Foreign Trade

II.4.1 Import structure

Import structure is represented by a wide extension of import values in many product-groups categories (see table 2.6). Machinery-equipment and vehicles imports dominate with 21.6 per cent of total imports. These imports have been increased by 12.2 per cent towards 2001, resulting from a high demand for machinery and vehicles by the construction, textile and information technology sectors. Mineral products are placed as second weighting 12.9 per cent of total imports and indicating a rapid growth (by about three times) as compared to 2001. The textiles item makes up 10.8 per cent of total imports and marks an increase of about 18.8 per cent as a result of production increase in the active-processing export oriented textile industry. Basic metals make up 8.9 per cent of the total imports of 2002 and they have increased by 12.7 per cent as compared to 2001, due to cast-iron, steel, and aluminum demands in the industry of construction. Prepared food having a share of 8.7 per cent of the total imports, during 2002 increased by 22.8 per cent, which reflects a growing domestic market demand not supplied by the domestic product. The most evident increase in comparison to last year is registered for animal's origin products (50.3 per cent), wood and its products (34.4 per cent), crude and processed and unprocessed leather (34 per cent). In total, imports have increased by 11.7 per cent during 2002.

Agricultural products import makes up only 19.8 per cent of imports total amount with a value of \$298.1 millions and with an increase of 16 per cent towards 2001. Almost all categories of agricultural imports have been increased as compared to 2001, except for the chapters 14, 12, 11, 9 and 8, which have slightly declined (see table 2.7). Cereals make up the largest share of agricultural imports with 12.4 per cent of total amount of 2002 and with an increase of 16.6 per cent. Tobacco makes up 10.9 per cent of agriculture total imports amount with an increase of 25.1 per cent towards 2001; fruits make up 9.6 per cent of agriculture imports with a light decline as compared to 2001. Meat and edible meat offal make up 8.5 per cent with an increase of 49.6 per cent towards 2001; cereal preparations 8 per cent of agricultural import with an increase of 32.3 per cent and alcoholic drinks have contributed with 8.1 per cent in agricultural total imports with a small change as compared to 2001.

Table 2.6: Trade export and trade import during 2002, according to Harmonized System*In millions of USD*

HS	Section description	Trade export 2002			Trade import 2002		
		In absolute values	As percentage to total 2002	As percentage change to total 2001 respective section	In absolute values	As percentage to total 2002	As percentage change to total 2001 respective section
1	Living animals; animal origin products	2.1	0.7	-5.8	44.7	3.0	50.3
2	Vegetable products	13.1	4.0	14.6	101.3	6.7	0.8
3	Animal grease and oils or vegetal	0.0	0.0	180.9	20.8	1.4	4.6
4	Prepared foods, drinks, tobacco	7.3	2.2	-48.1	131.3	8.7	22.8
5	Mineral products	9.1	2.7	530.3	192.2	12.9	280.5
6	Chemical industry products or alloys	1.7	0.5	-77.8	85.9	5.7	-58.6
7	Plastics; tire and its products	0.7	0.2	-31.2	44.9	3.0	19.9
8	Leather and its products	14.8	4.5	35.9	37.0	2.5	34.0
9	Wood, cork and their products, straw products, reed-canes	8.6	2.6	-1.6	16.3	1.1	34.4
10	Wood dough, papers, cart-paper and their products	2.9	0.9	70.1	29.5	2.0	45.8
11	Textiles and textile articles	124.4	37.7	9.2	163.1	10.8	18.8
12	Clothes and umbrellas	95.3	28.9	9.2	55.7	3.7	17.3
13	Stone, gypsum, cement, ceramic, glass articles	1.9	0.6	3.7	57.9	3.8	16.1
14	Pearls, jewellery, coins	0.4	0.1	-91.9	0.4	0.0	-9.5
15	Main metals and their products	30.8	9.3	25.9	134.0	8.9	12.7
16	Electric, mechanic machinery and equipment	8.4	2.6	19.3	241.9	16.1	-1.2
17	Vehicles	0.9	0.3	-8.5	80.9	5.4	13.4
18	Optic implements and instruments; watches; music instruments	0.3	0.1	47.2	14.3	1.0	-25.7
19	Arms and munitions and their components	0.7	0.2	49.4	0.7	0.0	12.9
20	Manufactured articles	6.8	2.1	33.1	36.6	2.4	19.9
21	Work of art, ancient pieces	0.0	0.0	-74.1	0.0	0.0	-100.0
	TOTAL	330.2	100.0	8.3	1,489.5	100.0	11.7

Source: General Directorate of Customs, ACIT

Table 2.7: Trade export and trade import of agricultural products during 2002*In thousands of USD*

HS	Chapter description	Trade export 2002			Trade import 2002		
		In absolute values	As percentage to agricultural export 2002	As percentage change to respective category of 2001	In absolute values	As percentage to agricultural export 2002	As percentage change to respective category of 2001
01	Live animals	337	1.5	113.6	3,095	1.0	78.9
02	Meat and edible meat offal	351	1.6	408.5	25,371	8.5	49.6
03	Fish and crustaceans, mollusks and other aquatic invertebrates	956	4.2	-45.7	9,124	3.1	90.9
04	Dairy produce; birds eggs; natural honey; edible products of animal origin, not elsewhere specified or included	471	2.1	74.8	6,958	2.3	12.9
05	Products of animal origin, not elsewhere specified or included	33	0.1	39.9	114	0.0	36.8
06	Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage	89	0.4	242.4	1,226	0.4	60.5
07	Edible vegetables and certain roots and tubers	1,422	6.3	41.6	10,645	3.6	15.3
08	Edible fruit and nuts; peel of citrus fruit or melons	94	0.4	29.4	28,697	9.6	-9.9
09	Coffee, tea, mate and spices	444	2.0	87.8	5,275	1.8	-11.5
10	Cereals	19	0.1	27.9	36,984	12.4	16.6
11	Products of the milling industry; malt; starches; insulin; wheat gluten	0	0.0	-100.0	17,834	6.0	-12.0
12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruits; industrial or medicinal plants; straw and fodder	10,866	48.2	9.1	505	0.2	-19.7
13	Lac; gums, resins and other vegetable saps and extracts	175	0.8	40.4	121	0.0	335.2
14	Vegetable plaiting materials; vegetable products not elsewhere specified or included	1	0.0	0.0	1	0.0	-88.1
15	Animal or vegetable fats and oils and their cleavage products prepared edible fats; animal or vegetable waxes	11	0.0	180.9	20,821	7.0	4.6
16	Preparations of meat, of fish or of crustaceans, mollusks or other aquatic invertebrates	0	0.0	-100.0	2,807	0.9	26.0
17	Sugars and sugar confectionery	11	0.0	-96.0	18,057	6.1	15.8

18	Cocoa and cocoa preparations	5	0.0	-57.3	4,970	1.7	7.1
19	Preparations of cereals, flour, starch or milk; bakers' wares	9	0.0	-95.3	23,859	8.0	32.3
20	Preparations of vegetables, fruit, nuts or other parts of plants	631	2.8	-28.2	14,059	4.7	44.4
21	Miscellaneous edible preparations	78	0.3	-80.3	7,549	2.5	33.4
22	Beverages, spirits and vinegar	609	2.7	-0.9	24,196	8.1	7.4
23	Residues and waste from the food industries; prepared animal feed	361	1.6	-25.5	3,339	1.1	30.7
24	Tobacco and manufactured tobacco substitutes	5,567	24.7	-6.2	32,457	10.9	25.1
TOTAL		22,538	100.0	-18.7	298,063	100.0	16.0

Source: General Directorate of Customs, ACIT

II.4.2 Export structure

Export structure is dominated by active-processing products such as shoes, and textiles destined towards EU markets. Exported domestic production makes up only 25.8 per cent of total exports (see table 2.8).

Table 2.8: Active-processing exports during 2002

In millions of USD

Month	Active-processing exports	
	In absolute value	As percentage to total exports 2002
January	18.7	78.8
February	19.9	80.7
March	20.7	74.9
April	17.4	68.6
May	13.2	69.8
June	22.2	79.5
July	27.0	76.8
August	13.0	59.3
September	21.1	72.6
October	23.0	77.4
November	29.2	76.9
December	19.7	69.8
TOTAL	245.1	74.2

Source: General Directorate of Customs, ACIT

Textile articles make up most of total exports share with 37.7 per cent and an increase of 9.2 per cent as compared to 2001, which indicates a textile industry growth supported by the increase of raw materials' import. The same situation can be found even in footwear, which make up 28.9 per cent of exports total amount with an increase of 9.2 per cent towards 2001. Base metals, especially ferrochrome, make up 9.3 per cent of exports total amount with an increase of 25.9 per cent towards 2001. Table 2.9 includes the top Albanian exported products during 2002, where shoes and clothes production dominates. Despite the long list of 35 most exported products (see table 2.9) it is noticed that there is a lack of diversity and flexibility in trade exchange and a dependency on a limited number of product-groups destined to a limited number of partner countries. Some other products are also increasing their importance as export products, such as herbs and medical plants, crude and processed leather, which while still in modest quantity, are getting a better status on the overall volume of Albanian exports.

Agricultural products export makes up only 6.8 per cent of the total exports with a value of \$22.5 million and a decrease 18.7 per cent towards 2001 (see table 2.7). Medical plants and tobacco have the greatest share of the total agricultural exports with respectively 48.2 per cent and 24.7 per cent and have registered an increase of 9.1 per cent and -6.2 per cent as compared to 2001. Vegetables with a share of 6.3 per cent and fish products with a share of 4.2 per cent have shown an increase of 41.6 per cent and 45.7 per cent respectively towards 2001. It is noticed that the decline as compared to 2001 is registered mainly for the milling industry, fish and meat cooking, sweets, and cakes, cereal products and to a lesser degree for other products, due to markets that are not yet consolidated for Albanian products. A significant increase is noticed for other categories representing a small share such as: meat products, trees and other plants and animal vegetal or grease.

Table 2.9: Top 35 exported products during 2002

In thousands of USD

No	HS code	Description	In absolute values	As percentage to total 2002
1	6406	Parts of footwear (including uppers whether or not attached to soles other than outer soles); removable insoles, heel cushions and similar articles; gaiters, leggings and similar articles, and parts thereof	88.0	26.6
2	6203	Men's or boys' suits, ensembles, suit-type jackets, blazers, trousers, bib and brace overalls, breeches and shorts (other than swimwear)	32.4	9.8
3	6205	Men's or boys' shirts (con.)	18.4	5.6
4	6206	Women's or girls' blouses, shirts and shirt-blouses	12.9	3.9
5	6108	Women's or girls' slips, petticoats, briefs, panties, nightdresses, pajamas, negligees, bathrobes, dressing gowns and similar articles, knitted or crocheted	10.4	3.1
6	1211	Plants and parts of plants (including seeds and fruits), of a kind used primarily in perfumery, in pharmacy or for insecticide, fungicidal or similar purposes, fresh or dried, whether or not cut, crushed or powdered	10.4	3.1
7	8301	Padlocks and locks (key, combination or electrically operated), of base metal; clasps and frames with clasps, incorporating locks, of base metal; keys and parts of any of the foregoing articles, of base metal:	9.5	2.9
8	6106	Women's or girls' blouses and shirts, knitted or crocheted	8.2	2.5
9	7202	Ferroalloys	7.9	2.4
10	4104	Tanned or crust hides and skins of bovine (including buffalo) or equine animals, without hair on, whether or not split, but not further prepared	6.0	1.8
11	6111	Babies' garments and clothing accessories, knitted or crocheted	5.5	1.7
12	6107	Men's or boys' underpants, briefs, nightshirts, pajamas, bathrobes, dressing gowns and similar articles, knitted or crocheted	5.1	1.6
13	6109	T-shirts, singlets, tank tops and similar garments, knitted or crocheted:	5.0	1.5
14	6403	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather	4.9	1.5
15	2401	Unmanufactured tobacco (whether or not threshed or similarly processed); tobacco refuse	4.4	1.3
16	2710	Petroleum oils and oils obtained from bituminous minerals, other than crude; preparations not elsewhere specified or included, containing by weight 70 percent or more of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations; waste oils	4.3	1.3
17	4407	Wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or end-jointed, of a thickness exceeding 6 mm	4.0	1.2
18	6112	Track suits, ski-suits and swimwear, knitted or crocheted	3.9	1.2

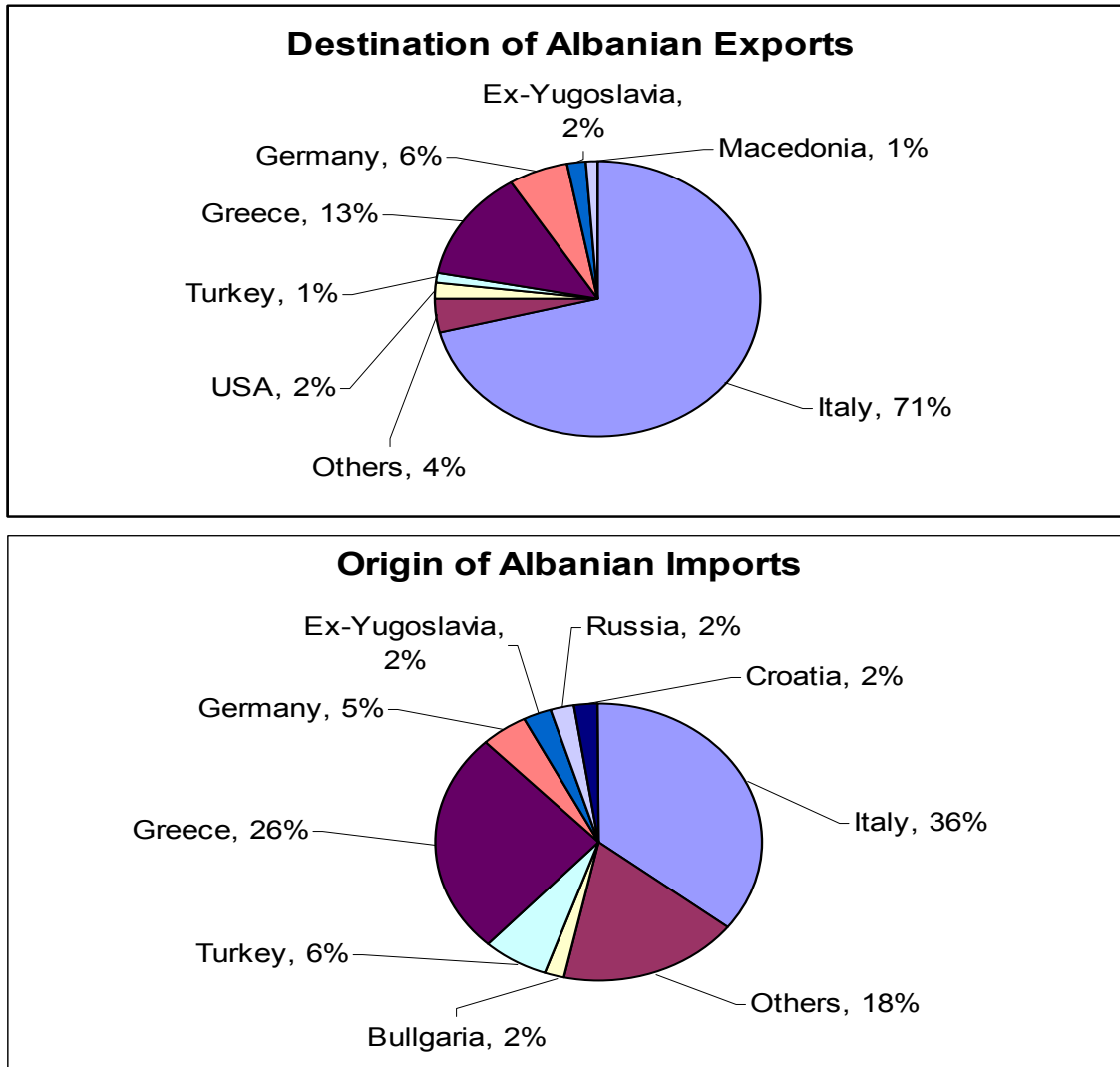
19	7602	Aluminum waste and scrap	3.8	1.2
20	4202	Trunks, suitcases, vanity cases, attaché cases, briefcases, school satchels and similar containers	3.6	1.1
21	6204	Women's or girls' suits, ensembles, suit-type jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts (other than swimwear)	3.5	1.0
22	8429	Self-propelled bulldozers, angle dozers, graders, levelers, scrapers, mechanical shovels, excavators, shovel loaders, tamping machines and road rollers	3.0	0.9
23	6211	Track suits, ski-suits and swimwear; other garments	3.0	0.9
24	9401	Seats (other than those of heading 9402), whether or not convertible into beds, and parts thereof	2.8	0.8
25	7404	Copper waste and scrap	2.5	0.8
26	6110	Sweaters, pullovers, sweatshirts, waistcoats (vests) and similar articles, knitted or crocheted (con)	2.3	0.7
27	9403	Other furniture and parts thereof	2.3	0.7
28	4102	Raw skins of sheep or lambs (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment dressed or further prepared), whether or not with wool on or split, other than those excluded by note 1(c) to this chapter	1.9	0.6
29	6212	Brassieres, girdles, corsets, braces, suspenders, garters and similar articles and parts thereof, whether or not knitted or crocheted	1.7	0.5
30	2713	Petroleum coke, petroleum bitumen and other residues of petroleum oils or of oils obtained from bituminous minerals	1.7	0.5
31	4101	Raw hides and skins of bovine (including buffalo) or equine animals (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further prepared), whether or not dehaired or split	1.7	0.5
32	6209	Babies' garments and clothing accessories	1.7	0.5
33	6305	Sacks and bags, of a kind used for the packing of goods	1.7	0.5
34	6202	Women's or girls' overcoats, car coats, capes, cloaks, anoraks (including ski-jackets), windbreakers and similar articles (including padded, sleeveless jackets), other than those of heading 6204	1.6	0.5
35	7604	Aluminum bars, rods and profiles	1.6	0.5
TOTAL			281.5	85.2

Source: General Directorate of Customs, ACIT

II.5 Foreign Trade Geography

The period covered by this report has been characterized by trade transactions with traditional partners of the recent years. Italy, Greece, Turkey, Germany are the main import and export partners.

Figure 2.3: Main partner countries in the Albanian Foreign Trade



Source: General Directorate of Customs, ACIT

Table 2.10: Trade Import-Export activity by partner countries during 2002*In thousands of USD*

Partner countries	Trade export 2002			Trade import 2002			Trade deficit 2002
	In absolute values	As percentage to total 2002	As percentage change to 2001	In absolute values	As percentage to total 2002	As percentage change to 2001	
EU countries	304.2	92.1	8.9	1,121.0	75.3	9.7	-817
Germany	18.3	5.5	8.3	71.6	4.8	14.2	-53
Greece	42.4	12.8	6.2	388.4	26.1	1.3	-346
Italy	236.8	71.7	9.1	530.0	35.6	23.1	-293
Austria	0.7	0.2	2.1	23.3	1.6	49.8	-23
United Kingdom	1.4	0.4	655.8	41.4	2.8	-8.6	-40
Others in EU	4.6	1.4	2.4	66.3	4.5	-22.7	-62
SEE countries	12.7	3.9	-10.6	113.3	7.6	35.3	-101
FYROM	4.9	1.5	4.8	19.2	1.3	13.7	-14
Ex-Yugoslavia	7.5	2.3	-20.3	14.6	1.0	101.7	-7
Croatia	0.1	0.0	142.9	34.2	2.3	92.4	-34
Bulgaria	0.1	0.0	4.3	30.5	2.0	6.5	-30
Romania	0.1	0.0	70.6	14.0	0.9	7.6	-14
Bosnia-Herzegovina	0.1	0.0	971.4	0.7	0.0	575.5	-1
USA	5.5	1.7	178.2	8.4	0.6	15.7	-3
Turkey	3.4	1.0	9.3	93.3	6.3	13.2	-90
Rest of the world	4.4	1.3	-98.6	153.5	10.3	-88.5	-149
TOTAL IN USD	330.2	100.0	8.3	1,489.5	100.0	11.7	1,159

Source: General Directorate of Customs, ACIT

II.5.1 Trade with EU countries

Table 2.10 shows a geographic view of trade flows, where 92.1 per cent of exports go to EU countries (with an increase of 8.9 per cent towards last year) and 75.5 per cent of imports come from these countries (with an increase of 9.7 per cent towards last year). The increasing growth rates of imports and exports with EU countries indicate for a significantly growing trade volume with these countries, while a decline is noticed in trade volume with the other countries in the world and with those of the Southeastern European countries. Albanian exports are mainly from Italy (71.7 per cent of total export amount), Greece (12.8 per cent) and Germany 5.5 per cent), with which export volume as compared to 2001 has changed with 9.1 per cent, 6.2 per cent and 8.3 per cent respectively. Exports with other EU countries are of little importance. Meanwhile European imports come mainly from Italy (35.6 per cent), Greece (26.1 per cent) and Germany (4.8 per cent) with an increase of 23.1 per cent, 1.3 per cent and 14.2 per cent respectively.

II.5.2 Trade with Southeastern European countries

Albanian exports towards Southeastern European countries have included 3.9 per cent of total exports amount in 2002, with an increase of 10.6 per cent as compared to 2001. The most important exports towards Southeastern European countries are those to Macedonia (1.5 per cent) and to Serbia & Montenegro³ (2.3 per cent), with an increase of 4.8 per cent and

-20.3 per cent. Considerable growth rates are noticed at exports towards Bosnia-Herzegovina and Croatia, though still in low absolute values. Trade with Kosovo plays a special role with an increasingly export volume. According to customs statistics, monthly exports to Kosovo have varied during the last months of 2002 from 97 thousand USD to 296 thousand USD. The most exported categories of goods are mineral products, stone articles, gypsum, ceramic, glass, cooked food and tobacco.

Albanian imports from Southeastern European countries make up 7.6 per cent of total imports amount of 2002 with an increase of 35.3 per cent towards 2001. Imports come mainly from Croatia (2.3 per cent of total imports amount), Bulgaria (2 per cent) and Macedonia (1.3 per cent) with an increase of 92.4 per cent, 102 per cent and 13.7 per cent respectively. However trade with region countries still remains sporadic.

Box 1: Trade with Macedonia after entry into force of the free trade agreement.

Traditionnally, trade with Macedonia has not had a pattern of behaviour and has been subject to casual trade transactions. Table 2.11 represents import-export levels for each of the halves of year 2002. Imports from Macedonia have increased during this period with 55.4 per cent, while exports are reduced with 62.5 per cent.

While there is a higher number of Macedonian products imported in Albania, export growth rates of Albanian products to this country have increased significantly (see tables 2.11 and 2.12).

³ Considering that 2.3% includes also exports towards Kosovo.

Table 2.11: Trade indicators with Macedonia during 2002*In thousands of USD*

HS section	Section description	Trade Export 2002						Trade Import 2002						Trade deficit 2002 with Macedonia
		First half 2002	Second half 2002	% of change between first and second half 2002	Annual export 2002 to Macedonia	% to section exports of 2002	% change to section exports of 2001	First half 2002	Second half 2002	% of change between first and second half 2002	Annual export 2002 to Macedonia	% to section exports of 2002	% change to section exports of 2001	
1	Living animals; animal origin	19	0	-100.0	19	0.9	137.5	287	2	-99.3	289	0.6	25.1	-270
2	Vegetable products	128	281	119.5	409	3.1	101.5	1,393	1,395	0.1	2,788	2.8	-10.9	-2,379
3	Animal grease and oils or vegetal	0	8	n/a	8	72.7	n/a	8	0	-100.0	8	0.0	-95.1	0
4	Prepared foods, drinks, tobacco	16	72	350.0	88	1.2	1,000.0	597	1,076	80.2	1,673	1.3	40.2	-1,585
5	Mineral products	70	580	728.6	650	7.1	205.2	159	137	-13.8	296	0.2	-13.7	354
6	Chemical industry products, alloys	15	26	73.3	44	2.6	-82.3	1234	2,013	63.1	3,247	1.5	74.2	-3203
7	Plastics; tire and its products	1	7	600.0	8	1.2	-33.3	506	403	-20.4	909	2.0	-13.9	-901
8	Leather and its products	0	0	0.0	0	0.0	-100.0	261	475	82.0	736	2.0	1,169.0	-736
9	Wood, cork and their products, straw products, reed-canes	3	0	-100.0	3	0.0	-72.7	25	52	108.0	77	0.5	-71.7	-74
10	Wood dough, papers, cart-paper and their products	4	4	0.0	8	0.3	100.0	160	283	76.9	443	1.5	248.8	-435
11	Textiles and textile articles	13	0	-100.0	13	0.0	-35.0	108	114	5.6	222	0.1	-65.6	-209
12	Clothes and umbrellas	0	0	0.0	0	0.0		0	0	0.0	0	0.0		0
13	Stone, gypsum, cement, ceramic,	14	6	-57.1	20	1.1	-75.9	476	534	12.2	1,010	1.7	21.2	-990
14	Pearls, jewellery, coins	12	0	-100.0	12	3.3	n/a	0	0	0.0	0	0.0	0.0	12
15	Main metals and their products	29	51	75.9	80	0.3	-74.2	679	1,473	116.9	2,152	1.6	-22.4	-2,072
16	Electric, mechanic machinery, equi	2,983	22	-99.3	3,005	35.6	5.3	1,456	3,517	141.6	4,973	2.1	79.7	-1,968
17	Vehicles	248	234	-5.6	482	56.3	-23.5	160	151	-5.6	311	0.4	-77.7	171
18	Optic implements and instruments;	0	0	0.0	0	0.0	-100.0	1	23	2,200.0	24	0.2	140.0	-24
19	Arms and munitions, components	0	0	0.0	0	0.0	0.0	0	0	0.0	0	0.0	0.0	0
20	Manufactured articles	7	46	557.1	53	0.8	307.7	20	54	170.0	74	0.2	37.0	-21
21	Work of art, ancient pieces	0	0	0.0	0	0.0	-100.0	0	0	0.0	0	0.0	0.0	0
TOTAL		3,562	1,337	-62.5	4,899		4.9	7,530	11,702	55.4	19,232		13.7	-14,333

Source: General Directorate of Customs, ACIT

Table 2.12: List of Albanian exported products to Macedonia with high export growth rates during the second half of 2002*In thousands USD*

HS Code of product	Product Description	Trade Export 2002		Percentage change between both halves of 2002	Status of trade regime according to the Free Trade Agreement between Albania and Macedonia ⁴
		First half of 2002	Second half of 2002		
96091010	Pencils and crayons, with leads encased in a rigid sheath	0	27.6	n/a	A
94036090	Other wooden furniture	0	18.2	n/a	A
09012100	Coffee, roasted Not decaffeinated	0	9.15	n/a	B
39045090	Other Vinylidene chloride polymers	0	6.7	n/a	A
271320	Petroleum bitumen	27.6	199.5	622.8	B
271129	Other in gaseous state of petroleum gases and other gaseous hydrocarbons	0	3.4	n/a	A
2704	Coke and semi coke of coal, of lignite or of peat, whether or not agglomerated; retort carbon	39.5	374	846.8	B
20091199	Other orange juice frozen with a density not more than 1,33 g / cm ³ in 20 °c	0	29.7	n/a	B
20091999	Other orange juice with a density not more than 1,33 g / cm ³ in 20 °c	0	12.5	n/a	B
20098071	Cherry juice	0	9.3	n/a	B
20098099	Other juices	0	13.9	n/a	B
12099999	Other herbaceous plants seeds cultivated principally for their flowers	0	3.6	n/a	C
1211010	Plants and parts of plants (including seeds and fruits),	0	7.9	n/a	B
12119095	Other ginseng roots	127.9	260.2	103.4	B

Source: General Directorate of Customs, WTO Secretariat, ACIT

⁴ A – included in the list of 6-year tariff reductions (in the first year, import tariff in Macedonia for Albanian origin products is reduced to 80% of bound rate).
 B – not included in any of the lists for preferential treatment in the Free Trade Agreement with Macedonia
 C – included in the list of products with 0% tariff at entry in force of the Free Trade Agreement with Macedonia

II.5.3 Trade with other countries

Turkey is the third most important partner in Albanian imports lagging behind Italy and Greece and it is the fifth partner after Italy, Greece, Germany and USA in Albanian exports (see table 2.10). Exports with Turkey have registered an increase of 1 per cent from a total of 9.3 per cent since 2001; while imports make up 6.3 per cent with a decline of 90 per cent since 2001.

Commercial exchange volume with USA has increased, especially the exports volume. Thus they have registered 1.7 per cent of the total with an increase of 178.2 per cent, while USA imports make up 0.6 per cent with an increase of 15.7 per cent.

Other world countries represent a smaller share than 1 per cent of total exports or imports. They include countries from different continents.

II.5.4 Expected developments during 2003

Based on historic data of foreign trade activity, it might be expected that exports during 2003 may amount to \$350 million, while imports at \$1.6 billion. As a consequence, trade deficit will increase. However, due to low export values, any domestic structural development might have unpredictable impacts. In the same way, effects resulting by exchange rate developments and increase of fuel prices in international markets are actually unclear.

III. Trade Policies and Trade Regime

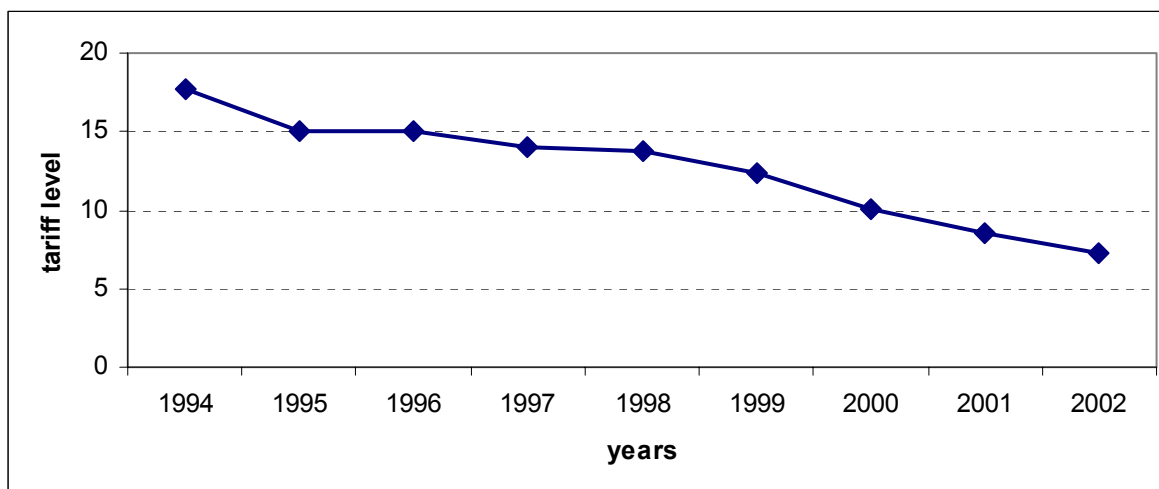
II.1 An overall view

Since the beginning of the transition period, reforms in trade policies have represented an important aspect of economic policies framework in Albania, considering the role of foreign trade sector in the overall economic development of the country. The aim of these reforms was trade liberalization and trade legislation alignment with international standard norms of foreign trade. The reforming process began soon after 1990. It followed certain stages beginning with the abolitions of state monopoly trade and import-export activity limitations, export tax abolition and differentiated import tariff establishment and later on with further trade liberalization and facilitation. Trade policy developments during the '90s register a re-orientation from a trade policy with fiscal dimension towards a trade policy with a significant development dimension.

Main features of trade policy can be summarized in:

- **Gradual reduction of customs duties.** Since 1994, there is a drop in tariff rates, with the maximum rate dropping from 40 per cent in 1994 (the highest level applied) to 30 per cent in 1998 and 15% on January 2001 (still applied). Average tariff trends is presented in the following graph:

Figure 3.1: Average unweighted tariff trends, in percentage



Source: Trade Policies and Institutions, Regional Report, World Bank

- **Harmonization of legislation with international standards and trade facilitation.** Albania is currently applying a liberal and transparent trade regime. Albanian exports are duty free and free of any other barrier of this kind. Imports are subdued to a simple tariff system with: 0 per cent, 2 per cent, 10 per cent, 15

per cent⁵, all imports are subdued to VAT, whereas a group of “heavy” articles such as cigarettes, alcoholic drinks, etc are subject to excise tax.

In execution of the New Customs Code (1999) and its Implementing Provisions, as well as in the framework of the membership procedure in WTO, Albania has compiled and approved a number of trade agreements, such as “Technical Barriers to Trade” (TBT), “Sanitary and Phytosanitary Standards” (SPS), import prohibitions and licensing, etc.

Related technical rules are compiled and approved in specific sectors, according to European Union directives such as: (i) in the sector of animal products (regulated by the law On Veterinary Services, (ii) in the sector of agricultural products (regulated by the law On Food), (iii) in the sector of seeds and seedlings (regulated by the respective law), etc.

III. 2 Developments in Trade Regime during 2002

A summary of changes in foreign trade legislation and regulation during 2002 is presented below:

a. As regard to customs duties

During 2002, the custom duty level is approved by law no.8981, date 12/12/2002. This law aims at:

- improving the commodity nomenclature;
- respecting WTO commitments for year 2003: reducing grease and vegetal custom duty and its fractions (chapters 1504, 1511, 1518) from 10 per cent to 0 per cent; reducing custom duties of oilcakes and other solid residues from the extraction of soybean oil (chapters 2304 and 2306) from 2 per cent to 0 per cent;
- some reductions/changes in the tariffs of raw materials favoring domestic production increase and export promotion, and more precisely the tariff reduction of pharmaceutical products such as some items of chapter 29, sterile lids and corks of chapters 40 and 83, food industry essences such as color extracts, etc;
- applying increased tariffs for beer (from 15 per cent to 20 per cent) in order to protect domestic production;
- preserving the existing tariffs for some products for which the import-competing industries are in a stage of development such as liquids, alcohol, tint, etc.

b. Non-tariff barriers

The most significant developments of non-tariff barriers during 2002 are:

⁵ During 2002, beer tariff has been increased from 15 per cent to 20 per cent

- *Notification of standards and technical regulations* applied in our country according to WTO membership commitments. This is regulated by the Decision of the Council of Ministers no. 382, date 23/07/2002 “For the exchange of information in the area of standards and technical regulations”;
- *Establishment of rules for the production, origin and trade of food products* in conformity with international trade requirements and standards regarding the origin and the quality (law no. 8944, date 10/09/2002 “For the production, origin and trade of olive oil”);
- *Improvement of the legal framework on market and consumer protection:* (i) Decision of the Council of Ministers no. 554, date 07/11/2007 “For the labeling of some imported food products”. This decision obliges importers to include or to add to the original label also the information regarding product name, its characteristics (nature, features, content, etc), usage modes, preserving conditions, expiry date as well as importer’s name and address, all in Albanian language, (ii) law no. 8974, date 21/11/2002 “For some addendums in the law for production and trade of tobacco and cigarette”. This law states that tobacco products traded in Albania should contain in their packing the respective data on tar and nicotine content, measured according to international standards in force. Any specifications must be written in Albanian language.

III. 3 Trade policies in the framework of international trading system and regional integration

As a member of World Trade Organization (WTO) in 2001, Albania has become part of the international trade system⁶. In this way, the country’s trade policies compilation subdues to some duties generated by this membership as well as to the need for adoption of country’s legislation in conformity with global trade rules.

Albania has committed to: (i) liberalize its tariff regime by employing a tariff reduction process (bound rates and sectorial initiatives); (ii) to perform all commitments derived by the agreements on Technical Barriers to Trade (TBT) and Sanitary and Phytosanitary Standards (SPS); (iii) Albanian Customs Code emphasizes that custom valuation will take place in compliance with the requirements of WTO; (iv) Albania is a member of WIPO (World Intellectual Property Organisation) since year 1992 and it has recognized some international agreements in this area. Albania has committed to implement the entire TRIPS Agreement and the legislation regarding author’s copyrights. Albania has also signed the respective memorandum related to Intellectual Property Regime.

From 2001, WTO has launched the new negotiation round known as “Doha development agenda”, which main aim is a further openness of markets for

⁶ Currently, 147 countries are members of WTO and many others are in the process of negotiations for membership.

agricultural products and for sensitive industrial products as well as the improvement of regulations related to trade (for any further information on this round see Annex 3.1).

Regional integration. By signing in Brussels the Memorandum of Understanding on Trade Liberalization and Facilitation (27 June 2001), Albania institutionalized its commitment to become a member of free trade area in the region. After signing the Free Trade Agreements, within a period of six years, a free trade area for goods and services will be established between the countries participating in this initiative. The agreements foresee a gradual reduction of tariffs and their abolishment during the period up to the creation of the free trade area.

The tariff system that will be applied after the approval of the agreements will consist of: (i) gradually reducing tariffs for products which will go under a temporary tariff protection in order to promote industries of domestic production; (ii) zero tariffs for non-sensitive goods of the respective countries; this category includes all goods that are not included at the above mentioned point (i); (iii) actual respective tariffs or base tariffs for sensitive products upon which a full tariff protection takes place (this category includes agricultural and food products: chapters 1-24 of the Harmonized System); (iv) agricultural products' concessions which are sensitive towards imports from the partner country. Tables 3.1 and 3.2 give information about agricultural products concessions, while Annex 3.2 shows negotiations status of free trade agreements in the region.

Table 3.1: Concessions of Albanian agricultural products exported towards regional countries (0% tariff within the specified quota)

No	HS Code	Description	Quantity of quotas in tons					
			Macedonia	Croatia	Romania	Ex-Yugoslavia	Bulgaria	Total
1	0204 00	Meat of sheep or goats, fresh, chilled or frozen		150				150
2	0406 10 80	Cheese		100		200	200	500
3	0406 90 29 00	Hard fatty cheese	50	150	50			250
4	0407 00 30	Birds' eggs, in shell, fresh, preserved or cooked		70				70
5	0409 00 00	Natural honey		50			50	100
6	0701 90 50 20	Potatoes, fresh or chilled from 1 Feb. up to 24 May	300	200				500
8	0702 00 00 10	Tomatoes, fresh or chilled from 1 Jan. up to 31 May	150					150
9	0702 00 00 10	Tomatoes, fresh or chilled (26 Sep. - 31 Dec)		300				300
10	0703 90 00	Leeks and other alliaceous vegetables		150				150
11	0706 10 00	Carrots and turnips		100				100
12	0707 00 05	Cucumbers, including gherkins, fresh or chilled	100	150				250
13	0708 20 00 20	- Beans (Vigna spp., Phaseolus spp.) 1 oct – 31 dec		100	100		400	600
14	0713 31 00	Beans of the species Vigna mungo (L.) Hepper or Vigna radiata (L.) Wilczek		100	50			150
15	0802 40	Chestnuts (Castanea spp.)		100			100	200
16	0804 10 00	Dates . . .		200			100	300
17	1211	Plants and parts of plants (including seeds and fruits), of a kind used primarily in perfumery, in pharmacy or for insecticidal, fungicidal or similar purposes, fresh or dried, whether or not cut, crushed or powdered:		50			200	250
18	1509 10 10	Lampante virgin olive oil		150	100		300	550
19	2001 90 65	Olives		100			500	600
20	2009(200911,	Fruit juices (including grape must) and vegetable juices, unfermented and not containing added spirit, whether or not containing added sugar or other sweetening matter: – Orange juice:	100		200	200	200	700

		2009 11 -- Frozen:						
21	2102	Yeasts (active or inactive); other single-cell micro-organisms, dead (but not including vaccines of heading 3002); prepared baking powders:		50				50
22	2201	Waters, including natural or artificial mineral waters and aerated waters, not containing added sugar or other sweetening matter nor flavored; ice and snow		150		100	3000	3250
23	2202	Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavored, and other non-alcoholic beverages, not including fruit or vegetable juices of heading 2009:		100	1000			1100
24	2208 20 12	Cognac .	200	75		500	150	925
25	2309 90 97	Preparations of a kind used in animal feeding: others		100		400		500
26	1601	Sausages and similar products, of meat, meat offal or blood; food preparations based on these products:	150		50	100		300
27	1602	Other prepared or preserved meat, meat offal or blood:	100		50			150
28	08042090	Dried .figs . .			100			100
29	ex 0807 11 00	Watermelons . from. 01 march to 15 July	2500		500		300	3300
30	ex 08071100	Others of Watermelons .family			100		200	300
31	20019065	-- Vegetables, fruit, nuts and other edible parts of plants, prepared or preserved by vinegar or acetic acid: Olives . .			100			100
32	0307	Molluscs, whether in shell or not, live, fresh, chilled, frozen, dried, salted or in brine; aquatic invertebrates other than crustaceans and molluscs, live, fresh, chilled, frozen, dried, salted or in brine; flours, meals and pellets of aquatic invertebrates other than crustaceans, fit for human consumption:					100	100

33	22082029	– Spirits obtained by distilling grape wine or grape marc (In containers holding 2 litres or less) : others				200	200	400
34	0405	Butter and other fats and oils derived from milk; dairy spreads:				200		200
35	1517	Margarine; edible mixtures or preparations of animal or vegetable fats or oils or of fractions of different fats or oils of this chapter, other than edible fats or oils or their fractions of heading 1516:				1500		1500
36	1902	Pasta, whether or not cooked or stuffed (with meat or other substances) or otherwise prepared, such as spaghetti, macaroni, noodles, lasagna, gnocchi, ravioli, cannelloni; couscous, whether or not prepared:				250		250
37	190530	- Sweet biscuits:				750		750
38	2007	Jams, fruit jellies, marmalades, fruit or nut purée and fruit or nut pastes, obtained by cooking, whether or not containing added sugar or other sweetening matter:				250		250
39	2104	Soups and broths and preparations therefore; homogenized composite food preparations:				100		100
40	2105	Ice cream and other edible ice, whether or not containing cocoa:				100		100
41	2203	Beer made from malt:				200		200
42	2204	Wine of fresh grapes, including fortified wines; grape must other than that of heading 2009:				200		200
43	220870	- Liqueurs and cordials:				500		500

Source: Texts of the FTA

Table 3.2: Concessions of agricultural products imported in Albania from regional countries (0% tariff within the specified quota)

			MQ	KR	RM	JG	BL	Totali
NR	Kode	Description						
1	0403	Buttermilk, curdled milk and cream, yogurt, kephir and other fermented or acidified milk and cream, whether or not concentrated or containing added sugar or other sweetening matter or flavoured or containing added fruit, nuts or cocoa:		50				50
2	0406	Cheese and curd:						
	040610	Fresh (unripened or uncured) cheese, including whey cheese, and curd:	50					50
	0406 30	Processed cheese, not grated or powdered:		100		200	200	500
3	0406 90	Other cheese:		100				100
4	040690 29	Kashkaval	50		50			100
5	0409	Natural honey			50	200		250
6	0702	Tomatoes, fresh or chilled	150			750		900
7	0707	Cucumbers and gherkins, fresh or chilled:	100			500	50	650
8	080231,32	Walnuts: In shell .			130		200	330
9	0808 10	Apples	3000					3000
10	1001	Wheat and meslin:		5000		2500		7500
11	11052000	Flakes, granules and pellets			30			30
12	1107	Malt, whether or not roasted:		200				200
13	1517	Margarine; edible mixtures or preparations of animal or vegetable fats or oils or of fractions of different fats or oils of this chapter, other than edible fats or oils or their fractions of heading 1516:					150	
14	1601	Sausages and similar products, of meat, meat offal or blood; food preparations based	150		50			200

		on these products:						
15	1602	Other prepared or preserved meat, meat offal or blood:	100	100	50		80	330
16	1704 90	Sugar confectionery (including white chocolate), not containing cocoa: others	200	100				300
17	1806	Chocolate and other food preparations containing cocoa:		100	50			150
18	1901	Malt extract; food preparations of flour, groats, meal, starch or malt extract, not containing cocoa or containing less than 40 % by weight of cocoa calculated on a		250				0
								250
19	1902	Pasta, whether or not cooked or stuffed (with meat or other substances) or otherwise prepared, such as spaghetti, macaroni, noodles, lasagne, gnocchi, ravioli, cannelloni; couscous, whether or not prepared:		150				150
20	1905	Bread, pastry, cakes, biscuits and other bakers' wares, whether or not containing cocoa; communion wafers, empty cachets of a kind suitable for pharmaceutical use, sealing wafers, rice paper and similar products:		200				200
21	2001	Vegetables, fruit, nuts and other edible parts of plants, prepared or preserved by vinegar or acetic acid:		100		100		200
22	2007	Jams, fruit jellies, marmalades, fruit or nut purée and fruit or nut pastes, obtained by cooking, whether or not containing added sugar or other sweetening matter:		50	50			100
23	2009	Fruit juices (including grape must) and vegetable juices, unfermented and not containing added spirit, whether or not containing added sugar or other sweetening matter:		200				200
24	200970	Apple juice:			100	200		300

25	2102	Yeasts (active or inactive); other single-cell micro-organisms, dead (but not including vaccines of heading 3002); prepared baking powders:		50				50
26	2103	Sauces and preparations therefor; mixed condiments and mixed seasonings; mustard flour and meal and prepared mustard:		50			60	110
27	2104	Soups and broths and preparations therefor; homogenised composite food preparations:		20	50			70
28	2105	Ice cream and other edible ice, whether or not containing cocoa:		50			50	100
29	2106	Food preparations not elsewhere specified or included:		150			50	200
30	2201+2202	Waters, including natural or artificial mineral waters and aerated waters, not containing added sugar or other sweetening matter nor flavored; ice and snow + Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavored, and other non-alcoholic beverages, not including fruit or vegetable juices of heading 2009:			1000	200	1500	2700
31	04051011	Butter: In immediate packing of a net content not exceeding 1 kg					50	50
31	07032000	Garlic					50	50
33	070490	Cabbages, cauliflowers, kohlrabi, kale and similar edible brassicas, fresh or chilled: others					100	100
34	07095100	Mushrooms of the genus Agaricus					50	50
35	07099070/90	Courgettes / others					100	100
36	07108070	Vegetables (uncooked or cooked by steaming or boiling in water), frozen: Tomatoes .					200	200
37	071290	Other vegetables; mixtures of vegetables:					100	100
38	071340	Lentils					100	100
39	08022100/3100/3200	Hazelnuts or filberts (Corylus spp.): In shell / Walnuts: In shell / shelled					200	200

40	080940	Plums and sloes:					50	50
41	08112059/9095	Blackberries and mulberries / others					200	200
42	110319	Groats and meal: Of other cereals:					400	400
43	15010019/90	Pig fat (including lard) and poultry fat, other than that of heading 0209 or 1503: other / Poultry fat					100	100
44	15121191	Sunflower-seed oil .					300	300
45	1904	Prepared foods obtained by the swelling or roasting of cereals or cereal products (for example, corn flakes); cereals (other than maize (corn)) in grain form or in the form of flakes or other worked grains (except flour, groats and meal), pre-cooked or otherwise prepared, not elsewhere specified or included:					100	100
46	20019050	Mushrooms					100	100
47	2002	Tomatoes prepared or preserved otherwise than by vinegar or acetic acid:					100	100
48	200310	Mushrooms of the genus Agaricus:					30	30
49	200510	Homogenized vegetables					150	150
50	20089955/68	Plums and prunes/other					150	150
51	0204	Meat of sheep or goats, fresh, chilled or frozen:				100		100
52	070390	Leeks and other alliaceous vegetables				200		200
53	070610	Carrots and turnips				200		200
54	080711	Watermelons				2000		2000
55	080719	Other melons				300		300
56	081210	Cherries				50		50
57	2203	Beer made from malt:				200		200
58	2204	Wine of fresh grapes, including fortified wines; grape must other than that of heading 2009:				200		200
59	22082012	Cognac .				500		500
60	22082026	Grappa				200		200
61	220870	Liqueurs and cordials:				500		500

62	230990	Preparations of a kind used in animal feeding: others				400		400
63	24012060	Sun-cured Oriental type tobacco .				500		500
67	1101	Wheat or meslin flour:				2500		2500

Source: Texts of the FTA.

European Integration. European Union (EU) is the main Albanian economic and trade partner. Our country's trade exchange share with EU is dominant compared to all other countries of the region. Since 1992, EU granted to Albania the status of General System of Preferences (GSP) facilitating the access of Albanian products to the European markets, including textile products according to a special agreement.

Since 2000, autonomous trade measures⁸, which applies to Albanian products that enter EU countries offers:

- relief of tariff peaks on some industrial products. According to this agreement these products are accessed to EU market with 0 custom duty within annual quota as decided by regulation no 517/94
- facilitation of agricultural products exports including processed products and fish. According to this agreement fresh fish enters with 0% tariff into EU for annual quota of 1,100 tones for three countries (Albania, Bosnia-Herzegovina and Croatia), *acuset* with 12.5% of a quantity of 1,000 tones; wine is to be exported to EU markets with a tariff of 0% for a quota of 545,000 hl.

However, the use of granted quotas is still low. Table 3.3 offers information about quota use for some products

EU officially opened negotiations for an Association - Stabilisation Agreement with Albania in February 2003. Objectives of this Agreement are: (i) promoting the economic development, improving the living standard and reducing unemployment, increasing the productivity and enhancing the macroeconomic stability; (ii) improving the conditions for a fair competition on the bilateral trade; (iii) harmonisation of legislation and removing of technical barriers to trade.

Negotiations are expected to bring at: (i) further liberalization of country's trade regime for a certain category products; (ii) a gradual liberalization for sensible industrial products in Albanian trade; (iii) a specific regime of agriculture and food industry. (iv) a review of non tariff barriers and a prohibition of any kind of trade restriction regulations. (v) institutional and administrative improvements in line with the *acquis communautaire*. Meanwhile EU countries will remove imports restrictions for Albanian products within a specified period as negotiated.

Albanian challenge is to resolve the main problems held by EU negotiators. Principle issues are mainly concerned with: (i) product quality improvement, (ii) quality standards and certification (iii) EU standards implementation (iv) sanitary and phytosanitary rules consolidation (v) developing of marketing channels.

Table 3.3: Albanian products within the Asymmetric Preferential Regime of EU (2002)

Nr	Kode	description	Quota	Beneficiary countries	Export	
					quantity	in % of total quota
					Tons	
1	0702-00 00	Tomatoes, fresh or chilled .	300(Ton)	Shqipëria	101	33.7
2	0703-90 00	Leeks and other alliaceous vegetables (1 Nëntor-31 Dhjetor)	100+200(Ton)		0.62	0.21
3	0707-00 05	Cucumbers	300(Ton)	#	1.5	0.00
4	0709-60 10	Sweet peppers	300(Ton)	#	29	9.67
5	0712-90 30	Dried vegetables, whole, cut, sliced, broken or in powder, but not further prepared: Tomatoes	300(Ton)	#	206	68.67
6	0807-11 00	Watermelons	500(Ton)	#	291	58.20
7	2005-90 80	Other vegetables prepared or preserved otherwise than by vinegar or acetic acid, not frozen, other than products of heading 2006: Other		#		
			300(Ton)	#		0.00
8	0713-31 00	Beans of the species Vigna mungo (L.) Hepper or Vigna radiata (L.)Wilczek		#	799	
9	1604-16 00/-20 40	Anchovies / Other prepared or preserved fish: of anchovies	700 (Ton)	#	2057	293.9
10	0301-91 10/90	live fish: Trout Of the species Oncorhynchus apache and Oncorhynchus chrysogaster / Other	100(Ton)	Shqipëria	2.7	2.7
	0302-11;0303-02;0304-20;			Bosnja-Herceg		
	0305-10 00;			Kroacia		
11	0301-93 00;0302-69 11	Fish, fresh, frozen or chilled : Carp	300(Ton)	Shqipëria	4	1.33
				B-H, Kroacia		
12	0301-99 90;0304-	Fish, fresh, frozen or chilled :other Saltwater fish	100(Ton)	Shqipëria		0.00
				Bosnja-Herceg		
				Kroacia		

13	03019990;03026994;03056990;03041038;03041098;03051000/3090/3980	Fish, fresh, frozen or chilled Sea bass	600(Ton)	#	4.4	0.73
14	16041311/19,2050	Sardines, sardinella and brisling or sprats: in olive oil/ other / Other prepared or preserved fish: Of sardines, bonito, mackerel of the species Scomber scombrus and Scomber japonicus, fish of the species Orcynopsis unicolor	250(Ton)	#		0.00
15	2204-21 79/-29 84	Other wine; grape must with fermentation prevented or arrested by the addition of alcohol:white and others	545000(hl)	#		0.00

Source: GDC and ACIT

Annex 3.1: Negotiations in World Trade Organization

After the failure of the ministerial meeting in Seattle 1999, and due to a combined pressure of different factors where the September 11th event and weakening global demand conditions, in November 2001 the new round of multilateral trade negotiations (known as “Doha Development Agenda”) was launched. The main decisions that were approved in this meeting, except for China and Chinese Taipei admission as members of this organization, were:

- *Market access* including lunching of negotiations on further liberalization agriculture and services and removing of tariff and non tariff barriers to industrial goods.
- *Improvement of WTO regulations* about antidumping, subsidies procedures and regional trade agreements and mechanisms on dispute settlements;
- *Issues on less developed countries* offering longer transition periods, technical assistance and strengthening of capacities on the implementation of the WTO regulations, etc.;
- *“Singapore” and other* issues which include competition and investments as well as trade and environment, and transparency in government procurement procedures (assuming that these negotiations about these issues are to be launched at the ministers meeting in Cancun (September 2003).

Following the practice of the Uruguay round, negotiations results will be taken as single undertaking except for the dispute settlement mechanisms. This means that member countries will recognize the negotiations outcome as a full package. This round will be held for 3 years and negotiations should be concluded in January 2005. Although this round has been considered as an important turning point after the disturbing events on the global economy, analysts are pessimistic about the result of the negotiations, especially on agriculture trade.

DOHA WTO MINISTERIAL 2001: MINISTERIAL DECLARATION

20 November 2001

Ministerial declaration

Adopted on 14 November 2001

1. The multilateral trading system embodied in the World Trade Organization has contributed significantly to economic growth, development and employment throughout the past fifty years. We are determined, particularly in the light of the global economic slowdown, to maintain the process of reform and liberalization of trade policies, thus ensuring that the system plays its full part in promoting recovery, growth and development. We therefore strongly reaffirm the principles and objectives set out in the Marrakesh Agreement Establishing the World Trade Organization, and pledge to reject the use of protectionism.

2. International trade can play a major role in the promotion of economic development and the alleviation of poverty. We recognize the need for all our peoples to benefit from the increased opportunities and welfare gains that the multilateral trading system generates. The majority of WTO members are developing countries. We seek to place their needs and interests at the heart of the Work Programme adopted in this Declaration. Recalling the Preamble to the Marrakesh Agreement, we shall continue to make positive efforts designed to ensure that developing countries, and especially the least-developed among them, secure a share in the growth of world trade commensurate with the needs of their economic development. In this context, enhanced market access, balanced rules, and well targeted, sustainably financed technical assistance and capacity-building programmes have important roles to play.

3. We recognize the particular vulnerability of the least-developed countries and the special structural difficulties they face in the global economy. We are committed to addressing the marginalization of least-developed countries in international trade and to improving their effective participation in the multilateral trading system. We recall the commitments made by ministers at our meetings in Marrakesh, Singapore and Geneva, and by the international community at the Third UN Conference on Least-Developed Countries in Brussels, to help least-developed countries secure beneficial and meaningful integration into the multilateral trading system and the global economy. We are determined that the WTO will play its part in building effectively on these commitments under the Work Programme we are establishing.

4. We stress our commitment to the WTO as the unique forum for global trade rule-making and liberalization, while also recognizing that regional trade agreements can play an important role in promoting the liberalization and expansion of trade and in fostering development.

5. We are aware that the challenges members face in a rapidly changing international environment cannot be addressed through measures taken in the trade field alone. We

shall continue to work with the Bretton Woods institutions for greater coherence in global economic policy-making.

6. We strongly reaffirm our commitment to the objective of sustainable development, as stated in the Preamble to the Marrakesh Agreement. We are convinced that the aims of upholding and safeguarding an open and non-discriminatory multilateral trading system, and acting for the protection of the environment and the promotion of sustainable development can and must be mutually supportive. We take note of the efforts by members to conduct national environmental assessments of trade policies on a voluntary basis. We recognize that under WTO rules no country should be prevented from taking measures for the protection of human, animal or plant life or health, or of the environment at the levels it considers appropriate, subject to the requirement that they are not applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination between countries where the same conditions prevail, or a disguised restriction on international trade, and are otherwise in accordance with the provisions of the WTO Agreements. We welcome the WTO's continued cooperation with UNEP and other inter-governmental environmental organizations. We encourage efforts to promote cooperation between the WTO and relevant international environmental and developmental organizations, especially in the lead-up to the World Summit on Sustainable Development to be held in Johannesburg, South Africa, in September 2002.

7. We reaffirm the right of members under the General Agreement on Trade in Services to regulate, and to introduce new regulations on, the supply of services.

8. We reaffirm our declaration made at the Singapore Ministerial Conference regarding internationally recognized core labour standards. We take note of work under way in the International Labour Organization (ILO) on the social dimension of globalization.

9. We note with particular satisfaction that this conference has completed the WTO accession procedures for China and Chinese Taipei. We also welcome the accession as new members, since our last session, of Albania, Croatia, Georgia, Jordan, Lithuania, Moldova and Oman, and note the extensive market-access commitments already made by these countries on accession. These accessions will greatly strengthen the multilateral trading system, as will those of the 28 countries now negotiating their accession. We therefore attach great importance to concluding accession proceedings as quickly as possible. In particular, we are committed to accelerating the accession of least-developed countries.

10. Recognizing the challenges posed by an expanding WTO membership, we confirm our collective responsibility to ensure internal transparency and the effective participation of all members. While emphasizing the intergovernmental character of the organization, we are committed to making the WTO's operations more transparent, including through more effective and prompt dissemination of information, and to improve dialogue with the public. We shall therefore at the national and multilateral levels continue to promote a better public understanding of the WTO and to communicate the benefits of a liberal, rules-based multilateral trading system.

11. In view of these considerations, we hereby agree to undertake the broad and balanced Work Programme set out below. This incorporates both Programme set out below. This incorporates both an expanded negotiating agenda and other important decisions and activities necessary to address the challenges facing the multilateral trading system.

WORK PROGRAMME

Implementation-related issues and concerns

12. We attach the utmost importance to the implementation-related issues and concerns raised by members and are determined to find appropriate solutions to them. In this connection, and having regard to the General Council Decisions of 3 May and 15 December 2000, we further adopt the Decision on Implementation-Related Issues and Concerns in document WT/MIN(01)/17 to address a number of implementation problems faced by members. We agree that negotiations on outstanding implementation issues shall be an integral part of the Work Programme we are establishing, and that agreements reached at an early stage in these negotiations shall be treated in accordance with the provisions of paragraph 47 below. In this regard, we shall proceed as follows: (a) where we provide a specific negotiating mandate in this declaration, the relevant implementation issues shall be addressed under that mandate; (b) the other outstanding implementation issues shall be addressed as a matter of priority by the relevant WTO bodies, which shall report to the Trade Negotiations Committee, established under paragraph 46 below, by the end of 2002 for appropriate action.

Agriculture

13. We recognize the work already undertaken in the negotiations initiated in early 2000 under Article 20 of the Agreement on Agriculture, including the large number of negotiating proposals submitted on behalf of a total of 121 members. We recall the long-term objective referred to in the Agreement to establish a fair and market-oriented trading system through a programme of fundamental reform encompassing strengthened rules and specific commitments on support and protection in order to correct and prevent restrictions and distortions in world agricultural markets. We reconfirm our commitment to this programme. Building on the work carried out to date and without prejudging the outcome of the negotiations we commit ourselves to comprehensive negotiations aimed at: substantial improvements in market access; reductions of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support. We agree that special and differential treatment for developing countries shall be an integral part of all elements of the negotiations and shall be embodied in the schedules of concessions and commitments and as appropriate in the rules and disciplines to be negotiated, so as to be operationally effective and to enable developing countries to effectively take account of their development needs, including food security and rural

development. We take note of the non-trade concerns reflected in the negotiating proposals submitted by Members and confirm that non-trade concerns will be taken into account in the negotiations as provided for in the Agreement on Agriculture.

14. Modalities for the further commitments, including provisions for special and differential treatment, shall be established no later than 31 March 2003. Participants shall submit their comprehensive draft Schedules based on these modalities no later than the date of the Fifth Session of the Ministerial Conference. The negotiations, including with respect to rules and disciplines and related legal texts, shall be concluded as part and at the date of conclusion of the negotiating agenda as a whole.

Services

15. The negotiations on trade in services shall be conducted with a view to promoting the economic growth of all trading partners and the development of developing and least-developed countries. We recognize the work already undertaken in the negotiations, initiated in January 2000 under Article XIX of the General Agreement on Trade in Services, and the large number of proposals submitted by members on a wide range of sectors and several horizontal issues, as well as on movement of natural persons. We reaffirm the Guidelines and Procedures for the Negotiations adopted by the Council for Trade in Services on 28 March 2001 as the basis for continuing the negotiations, with a view to achieving the objectives of the General Agreement on Trade in Services, as stipulated in the Preamble, Article IV and Article XIX of that Agreement. Participants shall submit initial requests for specific commitments by 30 June 2002 and initial offers by 31 March 2003.

Market access for non-agricultural products

16. We agree to negotiations which shall aim, by modalities to be agreed, to reduce or as appropriate eliminate tariffs, including the reduction or elimination of tariff peaks, high tariffs, and tariff escalation, as well as non-tariff barriers, in particular on products of export interest to developing countries. Product coverage shall be comprehensive and without a priori exclusions. The negotiations shall take fully into account the special needs and interests of developing and least-developed country participants, including through less than full reciprocity in reduction commitments, in accordance with the relevant provisions of Article XXVIII bis of GATT 1994 and the provisions cited in paragraph 50 below. To this end, the modalities to be agreed will include appropriate studies and capacity-building measures to assist least-developed countries to participate effectively in the negotiations.

Trade-related aspects of intellectual property rights

17. We stress the importance we attach to implementation and interpretation of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) in a manner supportive of public health, by promoting both access to existing medicines and research and development into new medicines and, in this connection, are adopting a separate declaration.

18. With a view to completing the work started in the Council for Trade-Related Aspects of Intellectual Property Rights (Council for TRIPS) on the implementation of Article 23.4, we agree to negotiate the establishment of a multilateral system of notification and registration of geographical indications for wines and spirits by the Fifth Session of the Ministerial Conference. We note that issues related to the extension of the protection of geographical indications provided for in Article 23 to products other than wines and spirits will be addressed in the Council for TRIPS pursuant to paragraph 12 of this declaration.

19. We instruct the Council for TRIPS, in pursuing its work programme including under the review of Article 27.3(b), the review of the implementation of the TRIPS Agreement under Article 71.1 and the work foreseen pursuant to paragraph 12 of this declaration, to examine, inter alia, the relationship between the TRIPS Agreement and the Convention on Biological Diversity, the protection of traditional knowledge and folklore, and other relevant new developments raised by members pursuant to Article 71.1. In undertaking this work, the TRIPS Council shall be guided by the objectives and principles set out in Articles 7 and 8 of the TRIPS Agreement and shall take fully into account the development dimension.

Relationship between trade and investment

20. Recognizing the case for a multilateral framework to secure transparent, stable and predictable conditions for long-term cross-border investment, particularly foreign direct investment, that will contribute to the expansion of trade, and the need for enhanced technical assistance and capacity-building in this area as referred to in paragraph 21, we agree that negotiations will take place after the Fifth Session of the Ministerial Conference on the basis of a decision to be taken, by explicit consensus, at that session on modalities of negotiations.

21. We recognize the needs of developing and least-developed countries for enhanced support for technical assistance and capacity building in this area, including policy analysis and development so that they may better evaluate the implications of closer multilateral cooperation for their development policies and objectives, and human and institutional development. To this end, we shall work in cooperation with other relevant intergovernmental organisations, including UNCTAD, and through appropriate regional and bilateral channels, to provide strengthened and adequately resourced assistance to respond to these needs.

22. In the period until the Fifth Session, further work in the Working Group on the Relationship Between Trade and Investment will focus on the clarification of: scope and

definition; transparency; non-discrimination; modalities for pre-establishment commitments based on a GATS-type, positive list approach; development provisions; exceptions and balance-of-payments safeguards; consultation and the settlement of disputes between members. Any framework should reflect in a balanced manner the interests of home and host countries, and take due account of the development policies and objectives of host governments as well as their right to regulate in the public interest. The special development, trade and financial needs of developing and least-developed countries should be taken into account as an integral part of any framework, which should enable members to undertake obligations and commitments commensurate with their individual needs and circumstances. Due regard should be paid to other relevant WTO provisions. Account should be taken, as appropriate, of existing bilateral and regional arrangements on investment.

Interaction between trade and competition policy

23. Recognizing the case for a multilateral framework to enhance the contribution of competition policy to international trade and development, and the need for enhanced technical assistance and capacity-building in this area as referred to in paragraph 24, we agree that negotiations will take place after the Fifth Session of the Ministerial Conference on the basis of a decision to be taken, by explicit consensus, at that session on modalities of negotiations.

24. We recognize the needs of developing and least-developed countries for enhanced support for technical assistance and capacity building in this area, including policy analysis and development so that they may better evaluate the implications of closer multilateral cooperation for their development policies and objectives, and human and institutional development. To this end, we shall work in cooperation with other relevant intergovernmental organisations, including UNCTAD, and through appropriate regional and bilateral channels, to provide strengthened and adequately resourced assistance to respond to these needs.

25. In the period until the Fifth Session, further work in the Working Group on the Interaction between Trade and Competition Policy will focus on the clarification of: core principles, including transparency, non-discrimination and procedural fairness, and provisions on hardcore cartels; modalities for voluntary cooperation; and support for progressive reinforcement of competition institutions in developing countries through capacity building. Full account shall be taken of the needs of developing and least-developed country participants and appropriate flexibility provided to address them.

Transparency in government procurement

26. Recognizing the case for a multilateral agreement on transparency in government procurement and the need for enhanced technical assistance and capacity building in this area, we agree that negotiations will take place after the Fifth Session of the Ministerial

Conference on the basis of a decision to be taken, by explicit consensus, at that session on modalities of negotiations. These negotiations will build on the progress made in the Working Group on Transparency in Government Procurement by that time and take into account participants' development priorities, especially those of least-developed country participants. Negotiations shall be limited to the transparency aspects and therefore will not restrict the scope for countries to give preferences to domestic supplies and suppliers. We commit ourselves to ensuring adequate technical assistance and support for capacity building both during the negotiations and after their conclusion.

Trade facilitation

27. Recognizing the case for further expediting the movement, release and clearance of goods, including goods in transit, and the need for enhanced technical assistance and capacity building in this area, we agree that negotiations will take place after the Fifth Session of the Ministerial Conference on the basis of a decision to be taken, by explicit consensus, at that session on modalities of negotiations. In the period until the Fifth Session, the Council for Trade in Goods shall review and as appropriate, clarify and improve relevant aspects of Articles V, VIII and X of the GATT 1994 and identify the trade facilitation needs and priorities of members, in particular developing and least-developed countries. We commit ourselves to ensuring adequate technical assistance and support for capacity building in this area.

WTO rules

28. In the light of experience and of the increasing application of these instruments by members, we agree to negotiations aimed at clarifying and improving disciplines under the Agreements on Implementation of Article VI of the GATT 1994 and on Subsidies and Countervailing Measures, while preserving the basic concepts, principles and effectiveness of these Agreements and their instruments and objectives, and taking into account the needs of developing and least-developed participants. In the initial phase of the negotiations, participants will indicate the provisions, including disciplines on trade distorting practices that they seek to clarify and improve in the subsequent phase. In the context of these negotiations, participants shall also aim to clarify and improve WTO disciplines on fisheries subsidies, taking into account the importance of this sector to developing countries. We note that fisheries subsidies are also referred to in paragraph 31.

29. We also agree to negotiations aimed at clarifying and improving disciplines and procedures under the existing WTO provisions applying to regional trade agreements. The negotiations shall take into account the developmental aspects of regional trade agreements.

Dispute Settlement Understanding

30. We agree to negotiations on improvements and clarifications of the Dispute Settlement Understanding. The negotiations should be based on the work done thus far as well as any additional proposals by members, and aim to agree on improvements and clarifications not later than May 2003, at which time we will take steps to ensure that the results enter into force as soon as possible thereafter.

Trade and environment

31. With a view to enhancing the mutual supportiveness of trade and environment, we agree to negotiations, without prejudging their outcome, on:

(i) the relationship between existing WTO rules and specific trade obligations set out in multilateral environmental agreements (MEAs). The negotiations shall be limited in scope to the applicability of such existing WTO rules as among parties to the MEA in question. The negotiations shall not prejudice the WTO rights of any Member that is not a party to the MEA in question;

(ii) procedures for regular information exchange between MEA Secretariats and the relevant WTO committees, and the criteria for the granting of observer status;

(iii) the reduction or, as appropriate, elimination of tariff and non-tariff barriers to environmental goods and services.

We note that fisheries subsidies form part of the negotiations provided for in paragraph 28.

32. We instruct the Committee on Trade and Environment, in pursuing work on all items on its agenda within its current terms of reference, to give particular attention to:

(i) the effect of environmental measures on market access, especially in relation to developing countries, in particular the least-developed among them, and those situations in which the elimination or reduction of trade restrictions and distortions would benefit trade, the environment and development;

(ii) the relevant provisions of the Agreement on Trade-Related Aspects of Intellectual Property Rights; and

(iii) labelling requirements for environmental purposes.

Work on these issues should include the identification of any need to clarify relevant WTO rules. The Committee shall report to the Fifth Session of the Ministerial Conference, and make recommendations, where appropriate, with respect to future

action, including the desirability of negotiations. The outcome of this work as well as the negotiations carried out under paragraph 31(i) and (ii) shall be compatible with the open and non-discriminatory nature of the multilateral trading system, shall not add to or diminish the rights and obligations of members under existing WTO agreements, in particular the Agreement on the Application of Sanitary and Phytosanitary Measures, nor alter the balance of these rights and obligations, and will take into account the needs of developing and least-developed countries.

33. We recognize the importance of technical assistance and capacity building in the field of trade and environment to developing countries, in particular the least-developed among them. We also encourage that expertise and experience be shared with members wishing to perform environmental reviews at the national level. A report shall be prepared on these activities for the Fifth Session.

Electronic commerce

34. We take note of the work which has been done in the General Council and other relevant bodies since the Ministerial Declaration of 20 May 1998 and agree to continue the Work Programme on Electronic Commerce. The work to date demonstrates that electronic commerce creates new challenges and opportunities for trade for members at all stages of development, and we recognize the importance of creating and maintaining an environment which is favourable to the future development of electronic commerce. We instruct the General Council to consider the most appropriate institutional arrangements for handling the Work Programme, and to report on further progress to the Fifth Session of the Ministerial Conference. We declare that members will maintain their current practice of not imposing customs duties on electronic transmissions until the Fifth Session.

Small economies

35. We agree to a work programme, under the auspices of the General Council, to examine issues relating to the trade of small economies. The objective of this work is to frame responses to the trade-related issues identified for the fuller integration of small, vulnerable economies into the multilateral trading system, and not to create a sub-category of WTO Members. The General Council shall review the work programme and make recommendations for action to the Fifth Session of the Ministerial Conference.

Trade, debt and finance

36. We agree to an examination, in a Working Group under the auspices of the General Council, of the relationship between trade, debt and finance, and of any possible recommendations on steps that might be taken within the mandate and competence of the

WTO to enhance the capacity of the multilateral trading system to contribute to a durable solution to the problem of external indebtedness of developing and least-developed countries, and to strengthen the coherence of international trade and financial policies, with a view to safeguarding the multilateral trading system from the effects of financial and monetary instability. The General Council shall report to the Fifth Session of the Ministerial Conference on progress in the examination.

Trade and transfer of technology

37. We agree to an examination, in a Working Group under the auspices of the General Council, of the relationship between trade and transfer of technology, and of any possible recommendations on steps that might be taken within the mandate of the WTO to increase flows of technology to developing countries. The General Council shall report to the Fifth Session of the Ministerial Conference on progress in the examination.

Technical cooperation and capacity building

38. We confirm that technical cooperation and capacity building are core elements of the development dimension of the multilateral trading system, and we welcome and endorse the New Strategy for WTO Technical Cooperation for Capacity Building, Growth and Integration. We instruct the Secretariat, in coordination with other relevant agencies, to support domestic efforts for mainstreaming trade into national plans for economic development and strategies for poverty reduction. The delivery of WTO technical assistance shall be designed to assist developing and least-developed countries and low-income countries in transition to adjust to WTO rules and disciplines, implement obligations and exercise the rights of membership, including drawing on the benefits of an open, rules-based multilateral trading system. Priority shall also be accorded to small, vulnerable, and transition economies, as well as to members and observers without representation in Geneva. We reaffirm our support for the valuable work of the International Trade Centre, which should be enhanced.

39. We underscore the urgent necessity for the effective coordinated delivery of technical assistance with bilateral donors, in the OECD Development Assistance Committee and relevant international and regional intergovernmental institutions, within a coherent policy framework and timetable. In the coordinated delivery of technical assistance, we instruct the Director-General to consult with the relevant agencies, bilateral donors and beneficiaries, to identify ways of enhancing and rationalizing the Integrated Framework for Trade-Related Technical Assistance to Least-Developed Countries and the Joint Integrated Technical Assistance Programme (JITAP).

40. We agree that there is a need for technical assistance to benefit from secure and predictable funding. We therefore instruct the Committee on Budget, Finance and

Administration to develop a plan for adoption by the General Council in December 2001 that will ensure long-term funding for WTO technical assistance at an overall level no lower than that of the current year and commensurate with the activities outlined above.

41. We have established firm commitments on technical cooperation and capacity building in various paragraphs in this Ministerial Declaration. We reaffirm these specific commitments contained in paragraphs 16, 21, 24, 26, 27, 33, 38-40, 42 and 43, and also reaffirm the understanding in paragraph 2 on the important role of sustainably financed technical assistance and capacity-building programmes. We instruct the Director-General to report to the Fifth Session of the Ministerial Conference, with an interim report to the General Council in December 2002 on the implementation and adequacy of these commitments in the identified paragraphs.

Least-developed countries

42. We acknowledge the seriousness of the concerns expressed by the least-developed countries (LDCs) in the Zanzibar Declaration adopted by their ministers in July 2001. We recognize that the integration of the LDCs into the multilateral trading system requires meaningful market access, support for the diversification of their production and export base, and trade-related technical assistance and capacity building. We agree that the meaningful integration of LDCs into the trading system and the global economy will involve efforts by all WTO members. We commit ourselves to the objective of duty-free, quota-free market access for products originating from LDCs. In this regard, we welcome the significant market access improvements by WTO members in advance of the Third UN Conference on LDCs (LDC-III), in Brussels, May 2001. We further commit ourselves to consider additional measures for progressive improvements in market access for LDCs. Accession of LDCs remains a priority for the Membership. We agree to work to facilitate and accelerate negotiations with acceding LDCs. We instruct the Secretariat to reflect the priority we attach to LDCs' accessions in the annual plans for technical assistance. We reaffirm the commitments we undertook at LDC-III, and agree that the WTO should take into account, in designing its work programme for LDCs, the trade-related elements of the Brussels Declaration and Programme of Action, consistent with the WTO's mandate, adopted at LDC-III. We instruct the Sub-Committee for Least-Developed Countries to design such a work programme and to report on the agreed work programme to the General Council at its first meeting in 2002.

43. We endorse the Integrated Framework for Trade-Related Technical Assistance to Least-Developed Countries (IF) as a viable model for LDCs' trade development. We urge development partners to significantly increase contributions to the IF Trust Fund and WTO extra-budgetary trust funds in favour of LDCs. We urge the core agencies, in coordination with development partners, to explore the enhancement of the IF with a view to addressing the supply-side constraints of LDCs and the extension of the model to all LDCs, following the review of the IF and the appraisal of the ongoing Pilot Scheme in selected LDCs. We request the Director-General, following coordination with heads of the other agencies, to provide an interim report to the General Council in December 2002

and a full report to the Fifth Session of the Ministerial Conference on all issues affecting LDCs.

Special and differential treatment

44. We reaffirm that provisions for special and differential treatment are an integral part of the WTO Agreements. We note the concerns expressed regarding their operation in addressing specific constraints faced by developing countries, particularly least-developed countries. In that connection, we also note that some members have proposed a Framework Agreement on Special and Differential Treatment (WT/GC/W/442). We therefore agree that all special and differential treatment provisions shall be reviewed with a view to strengthening them and making them more precise, effective and operational. In this connection, we endorse the work programme on special and differential treatment set out in the Decision on Implementation-Related Issues and Concerns.

Organization and management of the work programme

45. The negotiations to be pursued under the terms of this declaration shall be concluded not later than 1 January 2005. The Fifth Session of the Ministerial Conference will take stock of progress in the negotiations, provide any necessary political guidance, and take decisions as necessary. When the results of the negotiations in all areas have been established, a Special Session of the Ministerial Conference will be held to take decisions regarding the adoption and implementation of those results.

46. The overall conduct of the negotiations shall be supervised by a Trade Negotiations Committee under the authority of the General Council. The Trade Negotiations Committee shall hold its first meeting not later than 31 January 2002. It shall establish appropriate negotiating mechanisms as required and supervise the progress of the negotiations.

47. With the exception of the improvements and clarifications of the Dispute Settlement Understanding, the conduct, conclusion and entry into force of the outcome of the negotiations shall be treated as parts of a single undertaking. However, agreements reached at an early stage may be implemented on a provisional or a definitive basis. Early agreements shall be taken into account in assessing the overall balance of the negotiations.

48. Negotiations shall be open to:

- (i) all members of the WTO; and

(ii) States and separate customs territories currently in the process of accession and those that inform members, at a regular meeting of the General Council, of their intention to negotiate the terms of their membership and for whom an accession working party is established.

Decisions on the outcomes of the negotiations shall be taken only by WTO members.

49. The negotiations shall be conducted in a transparent manner among participants, in order to facilitate the effective participation of all. They shall be conducted with a view to ensuring benefits to all participants and to achieving an overall balance in the outcome of the negotiations.

50. The negotiations and the other aspects of the Work Programme shall take fully into account the principle of special and differential treatment for developing and least-developed countries embodied in: Part IV of the GATT 1994; the Decision of 28 November 1979 on Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries; the Uruguay Round Decision on Measures in Favour of Least-Developed Countries; and all other relevant WTO provisions.

51. The Committee on Trade and Development and the Committee on Trade and Environment shall, within their respective mandates, each act as a forum to identify and debate developmental and environmental aspects of the negotiations, in order to help achieve the objective of having sustainable development appropriately reflected.

52. Those elements of the Work Programme which do not involve negotiations are also accorded a high priority. They shall be pursued under the overall supervision of the General Council, which shall report on progress to the Fifth Session of the Ministerial Conference.